# SMALL BUSINESS EXPORTS: PROBLEMS AND OPPORTUNITIES

## HEARING

BEFORE THE

## COMMITTEE ON SMALL BUSINESS
## HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

LOUISVILLE, KY, MAY 20, 1988

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# SMALL BUSINESS EXPORTS: PROBLEMS AND OPPORTUNITIES

FRIDAY, MAY 20, 1988

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
*Louisville, KY.*

The committee met, pursuant to notice, at 9:00 a.m., Aldermanic Chambers, City Hall, 601 West Jefferson, Louisville, KY, Hon. John J. LaFalce (chairman of the committee) presiding.

Present: Chairman LaFalce and Representative Mazzoli.

Chairman LAFALCE. The Small Business Committee will come to order. I am Congressman John LaFalce. I have the pleasure of representing a portion of upstate New York—Buffalo, Niagara Falls, Rochester. I also have the pleasure of serving on two committees of the United States Congress, the Banking, Finance and Urban Affairs Committee where I have the great honor of serving with one of Louisville's Representatives, Congressman Jim Bunning. I also have the pleasure of serving on the Small Business Committee and being chairman of that committee.

For the past 14 years since I have been in Congress, I have had the pleasure of serving in Congress with Ron Mazzoli and also serving a good portion of those 14 years with him on the Small Business Committee.

It seems as if this is my Louisville week. Monday, Jim Bunning and I went to New York City in order to investigate some banking problems together. Ron Mazzoli had made a request, a long time ago, that we include a hearing in Louisville in our series of field hearings all across the country. We have had hearings on the west coast—Portland, OR. We have had them in the South—Texas, New Orleans, and North Carolina. We have had them in Chicago. I am glad we are finally able to come to Louisville, KY to explore some of the particular small business problems that are being experienced in the Louisville area.

Congressman Mazzoli indicated he thought it would be most beneficial if we examined, in today's hearing, the effectiveness at the State and local level of Federal programs designed to enhance the ability of small businesses to compete in international markets.

We will also explore ongoing State and local efforts to encourage and assist small firms that wish to enter foreign trade.

Small business continues to be a formidable economic force as the principal source of growth and innovation in our national economy. America's small firms, those with fewer than 100 employees, are responsible for nearly two-thirds of the new jobs created over

the past few years and now employ over half of the private sector workforce. They count for half of the gross domestic product and are a vital source of the innovation, new products, and services which drive our economy.

Clearly, our Nation's small businesses have tremendous export potential and can play a key role in the recovery of our international competitive position in the world economy. Small business can contribute substantially to reducing the U.S. trade deficit and are a natural resource for export-led growth.

Government studies have indicated that at least 30,000 small firms have the potential to export, but currently do not. The small business sector faces serious problems hampering its abilities to contribute to the international competitiveness of our economy. Public policy must respond to the needs of small business by expanding export opportunities; by facilitating technology transfer; by increasing access to long-term capital; and, generally, by creating the conditions that foster innovation and business development.

For that reason, at the beginning of this Congress, I asked the Speaker of the House, when the Trade bill was being developed, to permit me to include a separate title for small business. He agreed to that.

So, Congressman Ron Mazzoli, I, and a number of others of the Small Business Committee, went to work trying to design a refocusing of existing Federal programs toward the promotion of small business exports and to provide small business with the technological resources and capital that it needs to compete successfully in world markets.

We were successful in working together with our Republican friends in fashioning not a bipartisan approach but a nonpartisan approach to accomplish that. That is why we were able to get the unanimous support of every member of the Small Business Committee, whether Democrat or Republican, to the small business title of that bill.

Unfortunately, the President has indicated his intention to veto the entire Trade bill, not for that provision, but for other reasons, and we expect he will do that in the next few days. The veto may be sustained; it may be overridden. We do not know.

Congressman Mazzoli and I decided to include the small business title of the Trade bill in the Reauthorization bill for the Small Business Administration which is pending in Congress. About 2 weeks ago, when our committee reported out the SBA Reauthorization bill, we took the small business title from the Trade bill and put it in the Reauthorization bill.

If both bills pass, that provision would be duplicative, but we can always drop it from one of the bills if the Trade bill is vetoed and the veto is sustained. Then we would try to pass that title through the Reauthorization bill. That legislative initiative is only a small first step in developing an overall trade strategy that makes the best use of our small business resource.

In order to be effective, export initiatives must of necessity be focused on the local level. It is, therefore, essential that we continue to examine export promotion and assistance programs at the State and local level in order to determine how best to focus Federal resources in the effort to increase small business exports.

We are fortunate to have as witnesses today a distinguished group of governmental officials who have been actively involved in export promotion activities, several individuals from the private sector who provide export assistance to small firms, and a number of small business owners who have direct hands on experience in export trade.

We have four panels today. I will call each panel to the witness table, and then we will hear from the first panel. We will dismiss the first panel and go to the second panel, et cetera.

Before we bring our first panel to the table, does Congressman Mazzoli have any opening statement he would like to make?

[Chairman LaFalce's opening statement may be found in the appendix.]

Mr. MAZZOLI. Mr. Chairman, I do very briefly because we need to get on with our business, particularly the Mayor who has other appointments.

Let me first take this opportunity to thank you very much for scheduling this hearing of your committee in the community. It is one of several that you had around the country, and I am very hopeful that you will be able to add a dimension to the testimony that becomes part of the record that, perhaps, you have not had before, because we are very proud of our community, and very proud of the work we have done in it.

I just want to mention to my friends here that I have worked with John since 1974 when he came to Congress. It happened that he was one of two of what we call the Watergate Class, who I came in close contact with and have remained in close contact with these ensuing 14 years.

I have one vivid recollection that John might recall. Late at night, we were going on one of these 11, 12, 1 o'clock sessions, and we wound up in John's office, and we solved three-quarters of the problems of the world pending at that time. But, of course, in the meantime, all those problems have sort of come back. It was good to have worked with John.

Basically, I think the hearing today can underscore a few things. Among them is that, despite what people might say, Louisville, and Jefferson County, KY are very active role players in this whole export field. It is not well known, but a considerable part of Kentucky's economic situation ensues from foreign trade. The figures that I had, perhaps a little bit out of date, are something around $4 billion of the business which is done in Kentucky is done in export activity. Some 22,000 jobs in Kentucky are derived from export activities.

Beyond that phase of it, the export, of course, small business is particularly important to Louisville, Jefferson County, and Kentucky. We are basically a State of small business.

In our county, according to figures of the Louisville Chamber of Commerce, published recently in April, 70 percent of the new jobs created since 1983 have been created by businesses which employ 250 persons or fewer, which is a small business category.

Currently, small business employs about 60 percent of our workforce. So, the importance of small business is coupled with the importance of export activities. We saw, just this week, the March figures which were released for the trade deficit, and we saw this re-

markable drop of $4 billion in the trade deficit. The month of March saw a deficit of $9 billion which is not great, but it is remarkably different than the $17 billion of last October and September.

So, the revaluation of the dollar to the other currencies is part of it, but most especially is the aggressive stance of American business regarding foreign activities and foreign trade. It has become a very big part of a lot of small businesses. I think the trade figures are starting to reflect that.

Mr. Chairman, I have a more extended statement which, with your permission, I will put in the record. But I would just like to sum up by saying that we are proud of the work that we have done in our community and in our State, and we think that some of the evidence we will give you today and to the committee will help you in fashioning some of the other legislation that we might need as time goes on to make this climate even better for small business, particularly, in the area of export. I thank you, Mr. Chairman.

[Mr. Mazzoli's opening statement may be found in the appendix.]

Chairman LAFALCE. Thank you very much, Congressman. Ron has mentioned that we have had a drop in the trade deficit and those figures came out a few days or so ago. We should be pleased that there has been a drop in the trade deficit, but we also have to realize that we still have an enormous trade deficit.

At one time it was around $17 billion per month, and then it was $13 or $14 billion per month. They just revealed last month that it was $9.7 billion per month, almost $10 billion. Well, if you annualized that, it is still a $120 billion-deficit per year. You are still talking about the decimation of American industry. It is as if you were taking 17 sleeping pills at one time; that is going to kill you for sure. If you take 10 sleeping pills you are still going to be dead, but not quite as fast.

We still have far to go in order to address our competitive difficulties. We think we have not fully examined the potential of the small business community to address those problems. That is why we are going around the country on this issue and a wide range of other issues that affect the small business community.

Will our first panel come forward to the table, please? We have the Mayor here, Jerry Abramson. Is Representative Clay Crupper here, cochairman of the Small Business Task Force in the General Assembly? Representative Mark O'Brien, chairman of the Task Force on International Trade Development; and Alderman Reginald Meeks who has a particular interest in export problems faced by minority business owners. We are glad to hear from everybody, and we are most pleased to have the Mayor share his view with us today. Mayor Abramson.

## TESTIMONY OF HON. JERRY E. ABRAMSON, MAYOR, CITY OF LOUISVILLE, KENTUCKY

Mayor ABRAMSON. Thank you, Mr. Chairman.

Chairman LAFALCE. I have been very, very impressed with Louisville in the short period of time I have been here—the physical surroundings, but primarily the wonderful hospitality of your people. You have something to sell here in Louisville.

Mr. ABRAMSON. You are very kind.

Chairman LAFALCE. People with such hospitality, that is your greatest asset. That is the greatest reason for importing people to Louisville.

Mr. ABRAMSON. That is exactly right. I received a letter last night. I was reading my mail from a lady from Albuquerque, NM, who happened to be here 2 weeks ago for a little event we had in our community. She said the exact same thing. She had said that Louisville was great, and the Derby was wonderful, but the people were just unbelievably marvelous.

Chairman LAFALCE. What Ron and I have been talking about more than anything else is when can I come back——

Mr. ABRAMSON. Well, the first Saturday in November will be the Breeder's Cup. We would be more than happy to host you as a part of our community for the Breeder's Cup.

Chairman LAFALCE. Well, either then or the Kentucky Derby.

Mr. ABRAMSON. Or the Derby; yes. That was the first thing I was going to say.

Chairman LAFALCE. All right.

Mr. ABRAMSON. After welcoming you, I was going to say your scheduler did not do a very good job. You should have been here 2 weeks ago, Friday, and then you would have had to stay over with some of your colleagues who were here on the first Saturday in May and saw the running of the 114th Kentucky Derby.

We welcome you. We welcome your staff, and we appreciate you choosing our community to have the hearing. I would like, if I may, to submit my prepared remarks to the record rather than going through the extensive statement.

Chairman LAFALCE. Without objection, your entire statement will be printed in the record.

Mr. ABRAMSON. Thank you. Small business in this community has been a top priority and a lot of people you will hear from are going to talk more specifically about that. As our Congressman stated before, our statistics show that approximately 75 percent of the new jobs in this community come from small businesses, as defined by Congressman Mazzoli.

We have gone through a transition in this community, much like many other communities, from manufacturing to service. We still have a base of manufacturing, but yet, there is a transition going on. Many people are underemployed because of the loss of jobs in the major manufacturing facilities. We are trying as best we can to create a business atmosphere where small businesses can grow, where they can begin and germinate through an incubator program that we will talk a little about in a moment, but, also, so that they can grow, expand, and create those new jobs that are so important.

To grow and expand, small businesses need, in our judgment, to have a couple of things. They need to have increased Government sensitivity from your level as well as from our level, and an awareness of their unique problems, local government wise, everything from licenses and permits to closing of alleys and sidewalks.

We are trying, as best we can, to cut through that maze and allow a small business person to get more dollars to the bottom

line with less hassle from Government. They need Government sensitivity.

They need a creation of policy, both administrative and legislative, that provide for them as an entity. I commend you and Congressman Mazzoli for cutting into that—taking as part of the trade program the uniqueness for small businesses, putting that in, if, in fact, it does get vetoed, I hope you do aggressively go with the Reauthorization through the Small Business Administration legislation.

Also, you need continued cooperation from economic development offices of local government, the chamber of commerce, and the State government, as well as the Federal Government.

For a small business to succeed, I think of three areas. You need to create an environment in a community and in a country where you encourage emerging new businesses.

You have to create some type of venture capital opportunity in some form, be it tax breaks, or be it, literally, dollars created in some pool of funds to allow or to create, if you will, an environment for emerging new businesses.

You need to maintain that environment to encourage the small businesses that exist to expand, and you have to provide them with expertise. We are using our university, for example, our business and our engineering schools as consultants to assist small business folks that are in need of advice. There is an entrepreneurial society at one of our colleges in Louisville that meets monthly to try to bring those who really have ideas and are looking to let them grow and expand, to sit and chat, and try to find that kind of support from other entrepreneurs and those who finance those types of programs.

Finally, you have to provide opportunities for new and existing companies to grow. We try to do both. Everybody is always out hustling new business to come to their community. But we spend, in fact, our entire economic development office's purpose, and its $1½ million budget, is to focus on those people that are already within our community, to assist them, to retain them, and to give them a way to expand.

Chairman LAFALCE. That is smart.

Mr. ABRAMSON. In our community, we have divided up the responsibilities. For the most part, the chamber of commerce carries the ball outside the community to bring new business. They are the ones on the road. They are the ones knocking on doors, strategizing what industry needs the commerce or should come to Louisville.

But the folks that are here today are serviced by our economic development office, and it has worked well. We have people making calls on businesses everyday. We get around to every business within a year's time. We try to literally ask what we can do to get out of your hair? What can we do to make life a little easier for you? It is either a phone call, or it is, literally, a physical appearance at their door asking that kind of question.

There are lots of things that you are going to hear about. You are going to hear about small business financing. You are going to hear about minority business development. You are going to hear about entrepreneurial opportunities. But, I thought I would focus on exporting and the effect directly on small businesses.

The key solution to the United States trade deficit—obviously, you do not need to be a rocket scientist to figure this one out—is the increased export.

As you have said Mr. Chairman, we must encourage local companies to explore international trade opportunities, and, with the decrease in the value of the dollar as relates to other foreign currency, we have to encourage small- and medium-sized manufacturing companies in this country to begin looking abroad and looking for new markets to expand.

Less than 10 percent of all the U.S. manufacturers export in this country, and the reason, we think, probably, at least as I have seen it in this community, is, number one, a lack of understanding of the value and the opportunities that are there. They do not have the technical skills or the information necessary to get into a big time international marketplace. A small business person does not understand, necessarily, some of the international financing mechanisms, or the opportunities of letters of credit, or international types of tariffs, et cetera.

Exporting offers companies opportunity to expand their market by increasing their sales and their profit, by creating new and outside money funneled into a community, but most importantly, what we have seen it do in this community is it gives you an opportunity to expand jobs. If you can take a small business, and you can get him a new market, and they are going to make more widgets, the automatic flow is they are going to need more people to make those widgets.

So, we have tried aggressively to posture this community in just that mode. Kentucky has about $3½ to $4 billion in export sales today, which means that it creates about 24,000 jobs in Kentucky, and we rank about 23d or 24th among the States in terms of exporting.

So, we are not doing a great job, but we have a base to work with. Louisville accounts for one-third of that industrial activity in the State and maintains a very strong exporting position. A lot of that has to do with the fact that we are the regional, financial, and legal center of the Commonwealth.

Our standard field airport that you flew into is the UPS hub. There are flights with packages and other sorts of things going abroad to Europe and abroad to Japan everyday out of that UPS facility. In Kentucky, we have major Japanese investments with the Toyota facility.

We just had an announcement in our community last week that Waco, a Japanese company, made their first investment in Louisville in Jefferson County.

The first Japanese investment in our area will be made to create thermostats to be sold to General Electric, and there is a GE facility already here looking for their suppliers to move close by, just in time. It will create 150 jobs for Kentuckians with three or four Japanese overseeing the plant for the first 5 years and then, ultimately, it will phase into a 100-percent American-run operation.

Louisville has a river port which has a foreign trade zone. We have tried to create that opportunity for locating a business from abroad. We have a relationship in our banks with the Eximbank of the United States which gives us, we think, a leg up to begin really

aggressively getting into the foreign trade opportunities and our economic development office has an agreement with the American Association of Enterprise to establish a shared foreign sales corporation which gives an opportunity, as you know, for small businesses to come together, to pool, and then to export in a way that would not have been available, but for the Federal legislation alone than to occur.

Now, this community has been on the road. We have been out hustling, not only in terms of businesses in the United States, but we have been abroad. Last year, I twice had an opportunity to meet with people in England, in Germany, and in Brussels trying to attract business location. But stepping back to what you had said, Mr. Chairman, about the good idea, about trying to do things for local businesses, we have had our offices in the chamber of commerce in Korea, at the Korean Trade Show, in Milan, at the Milan Trade Show representing Louisville businesses with an exhibit saying buy our widgets.

Here are our 15 companies that each put up a couple of hundred dollars to be a part of the show. We were able to go. They were not going to be able to expend the kind of funds to go to Milan. But we went with the chamber's leadership and our economic development office, and we said: "This is what we make in Louisville; would you like to buy it?"

We were able to pick up some orders in Korea, pick up some orders in Milan, and begin to expand the demand on companies that would not have been able to go to those trade shows on their own. We have focused that through our economic development office and our chamber of commerce.

We are trying to encourage overseas business to import to Louisville. It works both ways. I would like to see some investment in our community from abroad. We would like to see folks from abroad buying from our community. We have a lot of investment in this community from, for example, from Great Britain, the Batus Corp., which is owned by B.A.T. in England. It is based here in Louisville. B-A-T-U-S. They own Saks Fifth Avenue, Marshall Fields, Brown Williamson Tobacco, et cetera.

Cortauld, a major conglomerate in England, just bought one of our major paint companies, Porter Paint.

One of the largest chains of laundries in this community is owned by a company, BET Corp. in England. So, we have major investments already from Europe, and we are trying to expand on that, based on the dollars decrease in value, and showing folks their potential for investment.

We are trying to encourage tourism in this community by foreign citizens. We find that it is a great way to bring people to America. When they come to America, with the dollar against the pound, or against the franc, or against the mark being so low, they can come to visit, to tour, but they stop in New York, maybe in Buffalo, probably New York City.

Chairman LAFALCE. I also represent Niagara Falls.

Mr. ABRAMSON. OK.

[Laughter.]

They stop at Niagara Falls, and they may hit Chicago, or hit L.A., and they have seen America. We are trying as best we can to

have them stop right here in Louisville and provide tourists, which have expanded significantly, by the way, over the last couple of years. There were a couple of good things you talked about in terms of the devaluation of the dollar. One is the number of foreign visitors that we are having to our community.

When they see and they get a feel for our community, and we generally put them in touch with businesses, if they are so inclined, to see the type of investment opportunities. We have had some success in that area. So, that is an important—it is an important industry toward them in conventions, and in this community it is about $180 million. That is what it means to Louisville and Jefferson County. It is the third largest industry that we have. That is beyond just Derby day. There are lots of other things going on.

Chairman LAFALCE. What are your two largest?

Mr. ABRAMSON. Well, I guess if you put it in that regard, you would have to say in manufacturing. Certainly, the Ford Motor Co., General Electric, and health care has been a major, major expanded industry. Almost 15 percent of our employment base is working now in the area of health care, with the privately owned chain of hospitals, HUMANA Corp. bases in Louisville, and others such as Baptist, and Methodist, and Jewish, and Saints Mary and Elizabeth, all expanding in such an aggressive way and bringing in new businesses to support their efforts. It is one way that we handle some venture capital opportunities. Time and again, the HUMANA Corp., on their own, funds and supports an idea for new x-ray equipment or a new surgical tool. As it evolves, we have a medical innovation center right here within our chamber of commerce and economic development office.

Because of the strength of the medical industry in this community, we are trying to bring in those tongue depressor companies, and we are trying to bring in those next generation surgical tool companies to make those facilities here, and try them out in our hospitals, which we think are on the cutting edge of medical care in this country. They will be able to be manufactured here and distributed out of this community.

So, health care has been a major, major force within our community and continues to expand. Especially, in the small business opportunities, to support the hospitals, medical experimentation, and surgeries that are going on.

I would like to mention one other thing and then I will leave it to the rest of my panel. I had an opportunity the other day, Tuesday night, to be with the United States Ambassador to Canada, who happens to be a Kentuckian.

Chairman LAFALCE. Tommy Niles.

Mr. ABRAMSON. Tommy Niles. That is exactly right. As you know, his father is quite a——

Chairman LAFALCE. His wife Carroll.

Mr. ABRAMSON. Pardon?

Chairman LAFALCE. And his wife Carroll——

Mr. ABRAMSON. And his wife Carroll. That is right. I had dinner with them the other night and all I heard about was the free trade agreement between the United States and Canada. So, I promised them when I had the opportunity to mention it, that I would men-

tion it. I do not know where you stand on it Mr. Chairman. Maybe I should not bring it up, but I can tell you, as far as Louisville, KY is concerned, it will make a difference in terms of opportunities for us to do business in Canada.

I will give you an example. There is a finished wood products manufacturer in this community that has to pay some 15 percent in tariffs to sell his goods to Canada, when, in fact, the Canadian manufacturers of similar products are paying about 6 percent tariffs to the United States. Needless to say, you know how that works out in terms of who gets the business.

Chairman LAFALCE. I had the Small Business Committee start hearings on the Canadian-American Free Trade Agreement way back in 1986 when nobody ever heard about it, because I thought this could be a hidden key to the United States, particularly for the small business community, insofar as the promotion of trade and exports are concerned.

I went to Ottawa and had dinner at the Embassy with Tom and Carroll Niles and received some great, great Kentucky hospitality in Ottawa.

Mr. ABRAMSON. Yea. Yea.

Chairman LAFALCE. One thing I remember. She spells her name the same way as Carroll Hubbard spells his name. I tried to reciprocate, and they came down to Buffalo for a Buffalo Bills football game when Washington was playing. The only thing is the Washington Redskins just beat them——

Mr. ABRAMSON. Clobbered them——

[Laughter.]

Chairman LAFALCE. The Buffalo Bills that day. We do not like to remember it. I last saw Tom when Prime Minister Mulhroney of Canada was in Washington. We got together afterward and talked.

If the small business community can export anyplace it is going to be to Canada because of its geographical proximity, its identity of language, its similarity of culture and custom, and the relative similarity in the dollar. We trade more with Canada right now—people do not realize that—than with any other country in the world. Canadians buy 10 times as much from us per capita as does Japan. We trade more with Canada than with the entire European community.

This free trade agreement, which both Congressman Mazzoli and I support very strongly, I think, could be very, very helpful to the small business community.

Mr. ABRAMSON. I think so too. I did not realize that Ambassador Niles's father was John Jacob Niles until we sat and began to hum a song, and all of a sudden I realized that I heard that before.

Chairman LAFALCE. He does Kentucky proud.

Mr. ABRAMSON. Yes; he does.

Chairman LAFALCE. He is marvelous, marvelous.

Mr. ABRAMSON. Marvelous. Aha. Well, then you understand I was going to say Kentucky would benefit in a great way, in terms of our wine and distilled spirits, our agriculture, our automotive supplies, our energy suppliers, in terms of coal, and our service-orientated businesses such as banks, insurance, et cetera.

The bottom line of every thing I have tried to say is that the potential for small business growth is great in this community. We

need your assistance. We need your assistance. We are trying as best we can to create an incubator out at the University of Louisville.

In conjunction with the University of Louisville—and the EDA is looking at financing some of the facility for us—we got the engineering school at the University of Louisville supporting the project. We, also, got the business school overseeing the project in terms of managing and really trying to put it together with an academic as well as a business and Government team effort coordinated program.

We have a very unique thing in this community. Last year's president of the chamber of commerce was the president of the University of Louisville. So, I think that gives you a feel that it is more than symbolism in terms of what the university and this community are doing together for the potential for the creation of jobs.

Chairman LAFALCE. That is fantastic, because in order to be successful, you need a marriage of town and gown.

Mr. ABRAMSON. That is right. That is exactly right.

Chairman LAFALCE. If you have done that, then you have captured the secret of Boston and Silicone Valley where they have been able to bring about this marriage between the private sector and the universities out there.

Mr. ABRAMSON. We have.

Chairman LAFALCE. I am trying to do so in western New York. I have not had as much success as I would like, but it looks as if——

Mr. ABRAMSON. We should have your university contact Dr. Swain. He has done a marvelous job, and the dean of the business school, Dean Taylor, has done an outstanding job in terms of interfacing with small business folks in providing them with a resource. If we get the incubator off the ground, it will be one focused with the kind of engineering expertise and business school expertise uniquely brought to the table by a university.

If you all are kind enough to continue supporting things like the Job Training Partnership Act, which gives opportunities for training, so small businesses, as they grow, do not have to put the training expense on the bottom line and, in fact, to assist them in developing their trained workforce.

Those kinds of programs play a major role in affecting the success or failure of small businesses in this community, and, probably, I would submit, throughout the country.

I appreciate the opportunity to be with you Mr. Chairman. You are very kind, again, to come and give me a moment to speak with you. I wish your committee well, and I hope you come back for the Derby, for the Breeder's Cup, or whatever.

Chairman LAFALCE. Well, I just want to say your testimony has been terrific. I do not know you. I have no idea whether you are Democrat, or Republican, or what it is, but I just think Louisville should be proud to have such an articulate spokesman as its Mayor.

Mr. ABRAMSON. Thank you, Mr. Chairman.

Chairman LAFALCE. You made a great presentation on behalf of Louisville.

Mr. ABRAMSON. Thank you, very much.

[Mr. Abramson's statement may be found in the appendix.]

Chairman LAFALCE. I know you have some time constraints. So, if you want to go, we will then hear from the rest of the panel. The only comment I would make to the rest of the panel is that we cannot possibly permit everybody else to have the same amount of time as we permitted the Mayor to have because we would never get beyond the first panel.

[Laughter.]

There are certain prerogatives that go with being Mayor. On the other hand, the TV cameras were not here to get you. They will be here to get our representatives. OK. Lets hear from our representatives. First will be Representative Clay Crupper, the cochairman of the Small Business Task Force in the General Assembly.

Mr. CRUPPER. Thank you very much, Mr. Chairman. I kind of had my speech prepared for you here and was not going to take very long, as you asked, but in my speech I was going to follow some remarks that Representative O'Brien said.

Chairman LAFALCE. Fine.

Mr. CRUPPER. So, if it would be in order, I would like for him to go first.

Chairman LAFALCE. OK. Mark, do you want to start it?

## TESTIMONY OF HON. MARK O'BRIEN, STATE REPRESENTATIVE, KENTUCKY GENERAL ASSEMBLY

Mr. O'BRIEN. I am not going to read my speech to you, because it has been submitted for the record. So, whatever Clay wants to make reference—I think the biggest thing is the General Assembly, through the LRC in 1986, appointed the Subcommittee on International Trade and Economic Development. We had meetings through the interim. We had testimony from universities. We have brought people in from NCSL, CSG. We brought people from the community that were involved in export and to explain how they do what they do and how it works well for them, hoping to transfer that to some of the other firms that we would like to see get involved simply to help our exporting dollars.

We have people from the Congress come in, from the U.S. Department of Commerce, and whatever. A lot of the information you have is good and a lot would help some of the businessmen who were unaware of, I think, the material in the work that you all have done.

The one thing that seemed to come through our meetings was the lack of knowledge on the part of the businessmen. They are concerned about what happens when their product gets 6,000, 7,000 miles away from home, without money. How do they get paid.

Some of the stories that you have heard about some of the foreign buyers refusing to accept delivery, or whatever, and there are products that have been paid for in process, sitting on a dock someplace.

These are all the things that the businessman says is hard enough to try to cut the nut here with a guy I can dun if he does not pay. Rather than, what do I do with someone halfway around the world.

So, this lack of concern, or lack of knowledge, rather, on the part of the small businessman. His problems are so great he does not

need that kind of customer. What we have tried to do is to take the testimony of what they would like to see done and what the Government sector can do to try and alleviate some of those fears.

The one thread that ran throughout the meeting was the lack of knowledge on the part of some of the small businessmen. So, this, I think, needs to be done. I think the promulgation of material and information needs to be done. At the last meeting we adopted seven recommendations.

Number four requested that we have strong relationship between, lets say, local government, State government, and Federal Government. If you guys can appraise us of what is happening from the international trade standpoint so we can get it back to our people, we do have an aggressive economic development department in Frankfort that would certainly do all they can, and they may be aware of what happens after it happens. Maybe they need to be brought in to the stream and have a little influence on what will come down the pipe.

I think one other thing; State and local governments certainly need to act, but I think we need to act to let the private sector have the pivotal voice. Let them tell us that governments really mess things up, not deliberately, but it can mess us up. So, lets ask the guy that is making the money, or attempting to make the money, what we can do to help him rather than us coming back and saying this is what we have done for you, and sometimes it does not work.

I appreciate you all being here. I appreciate you listening to me read my testimony and thank you.

Chairman LAFALCE. Thank you, Mark. Thank you, very much.

[Mr. O'Brien's statement may be found in the appendix.]

Chairman LAFALCE. Clay would you care to go next? Thank you.

**TESTIMONY OF HON. CLAY CRUPPER, REPRESENTATIVE AND CO-CHAIRMAN, TASK FORCE ON SMALL BUSINESS, KENTUCKY GENERAL ASSEMBLY**

Mr. CRUPPER. Thank you, very much. If it is all right with you, Mr. Chairman, I would like to briefly discuss off the cuff rather than read the prepared statement which I have presented to you to have for the record.

I am proud to be here today, and I am proud that you have taken your time, Congressman Mazzoli, to come to Louisville at this time before election. I think that it is very important that you have shown strong support for the small business people in this State and also the United States. I would just like to mention that we have three staff people here today and several members of the House of Representatives.

Chairman LAFALCE. Would you introduce them, Clay. I think it is very important for the people to know, for the record, and to show how many of your State representatives came from other distant spots of the Commonwealth to be here today with us to express support for the hearing process and for trying to do something for small business. As they are introduced, would they stand up.

Mr. CRUPPER. First of all, let them all stand up and that way I will try not to miss anyone. I will introduce them starting with the front row here.

Chairman LAFALCE. We can convene a meeting of the State Legislature.

Mr. CRUPPER. Sam MacRoy from down in western Kentucky. Representative Freed Curd from Mary, KY. Representative Don Gedling from Breckinridge County. Representative Richard Turner. He is down in Simpson County, I believe. We have Senator Danny Meyer from right here in your hometown of Louisville. We have Representative John David Reinhart from Campbell County in northern Kentucky. We have Representative Ramsey Morris, who has part of the cochairmanship of this small business committee and has done a fine job. He is from Christian County. We have Senator Fred Bradley who is the cochairman of the Small Business from the Senate end. Senator Bradley is from Franklin County. Tom Kerr, representative from Kenton County, and Representative Hank Hancock from Franklin County. Representative Tommy Todd from Pulaski County. We have the senator from Pulaski also, I believe.

So, I believe, Mr. Chairman, that is pretty much our delegation.

Chairman LAFALCE. That is quite a representation from the Kentucky State Legislature. I am especially pleased to see you in attendance. I am a former State legislature myself. I had the pleasure of serving first in the New York State Senate. Then I brought a lawsuit against Nelson Rockefeller, and reapportionment came, and I had no Senate seat, so, I became a member of the New York State Ascembly and one of the few who went from the Senate to the Assembly, but it was OK. Then it brought me to 1974. In 1974, I had the scatter brained idea to run for Lieutenant Governor of the State of New York. The only problem was there was some other fellow who wanted to be Lieutenant Governor. His name is Mario Cuomo. Nothing but uphill for me ever since in Congress. Mario has had another career for himself, too. This is great. Thank you, gentlemen for taking time to join us.

Mr. CRUPPER. Well, I appreciate each member that has come out today, and I would like to say that next Tuesday is election, and some of these people have opposition, and I appreciate them taking their time to come out just here before a campaign.

The Small Business Task Force set up in Kentucky. We have tried to look into every possible aspect between Government competition with the private sector and what we can do on a State level to help promote the small business. As was said earlier, about 70 percent of all small businesses is 100 people or less, and that is a big thing. I am from a rural county where all they have is small business. It is very, very important, and I hope that the State and Federal Government can continue to appropriate funds to continue to keep small businesses to help train people.

I had the opportunity to go, in 1986, with Governor Collins to Taiwan. A very interesting trip. We went over there to help promote agriculture products for the State of Kentucky. When we got over there, we found that the Taiwanese only knew two things about Kentucky, and that was Kentucky Fried Chicken and the Kentucky Derby. That is all they knew. They did not know that we

had a lot of breeder stock cattle like we did. They did not know we grow the amount of corn, and soybeans, and things in this State that we did.

But our delegation was fortunate enough to get them to come over the next year. They brought almost $20 million worth of agriculture products. They came back the following year and bought almost $50 million.

Chairman LAFALCE. You have to do it.

Mr. CRUPPER. You have to go after the business.

Chairman LAFALCE. Yes.

Mr. CRUPPER. I think we have to continue to go after that international export. We have to start promoting ourselves. We have to start promoting the small businessman. We have to help him. He cannot sell his product.

Chairman LAFALCE. You mentioned Taiwan, and since you mentioned it, I am just going to point to a few things, and Congressman Mazzoli and I worked on one of them.

One of the problems we had with Taiwan is that they peg their dollar to our dollar, and so, although the United States dollar has declined in value against the Japanese yen, the German deutsche mark, et cetera. It has not climbed very much against the Taiwanese dollar, the Korean wan, et cetera, that have pegged their currency to ours. Congressman Mazzoli and I thought that we would try to get the administration to negotiate harder with them, not to have their dollar pegged to ours.

We included a provision within the Trade bill that mandates that our Treasury negotiate with those countries that peg their dollars to ours to get them to depeg their currency. So, we would be able to do something about that huge trade deficit.

It is interesting, too. You have to get a lot of hearings in order to find out all these, which is why we have a lot of hearings around the country. But one of the things that the Taiwanese did was to make it look as if we did not have as much of a trade deficit. They did this last month. One of the reasons this trade deficit went down a lot last month is Taiwan, because we were putting so much pressure on them to depeg their currency, said what can we do to make the deficit look better.

So, they bought gold bullion from the United States last month. In fact, they bought over $600 million of gold bullion from the United States in 1 month. That is a one-shot effort. If you subtract that from our exports, then the reduction in the trade deficit that we talked about does not look as great. So, you cannot accept all those figures at face value. You have to look at those things carefully.

Mr. CRUPPER. I think that is a very good point. I traded a $100 dollar bill in and got 36 $100 dollar bills of theirs. I had a roll that big, Mr. Chairman, I thought I had more money than I knew what to do with it. So, you are exactly right, and they told us that when we were over there.

We were very much out of balance. We have got to do something because they were scared at that particular time that the United States might start cutting them off if they do not start getting more in balance. We were fortunate enough to stress that they came over here. Hopefully, they are coming back this year.

They are interested in about 10,000 breeder stock cattle. They want all different breeds, and they did not know, at this particular time, that Kentucky is one of the bigger States as far as the breeder stock cattle was concerned. They want to experiment on their climate over there and see which one would be the best adapted to their climate, which one would grow better in that high moisture climate that they have over there.

So, hopefully, if they come this fall, we are going to be selling maybe as much as 10,000 breeder stock cattle from farmers here to Taiwan.

So, those kind of trips, I think, on our exports, and you all have been around the country, and you know what we are talking about, in so many of the other countries, that I will not go into it. We can do a good job, but we are going to have to go after it. We are going to have to go out on the State level. We cannot just continue depending. Everybody has always, I think, been thinking that all of you all in Washington ought to do everything for us. You ought to solve all of our problems, but I found out it is not going to happen that way. The States are going to have to get involved. Local government, such as the Mayor of Louisville here just said, are going to have to start getting involved, and all of us working together. We have got to go after that business. We have got to start selling our products, whether it is manufacture, or whether it is farm products, or whatever.

I'd just like to say I appreciate the opportunity of being here today and anything that we can do as cochairmen, and Senator Bradley as cochairman, anything we can do here at the State level to help you in any way in Washington. We want you to get a hold of us. We will be glad to work with you, and I appreciate, Mr. Chairman, you coming to Kentucky. Thank you, very much.

Chairman LAFALCE. Thanks for your great testimony.

[Mr. Crupper's statement may be found in the appendix.]

## TESTIMONY OF HON. REGINALD K. MEEKS, 11TH WARD ALDERMAN, LOUISVILLE, KY

Mr. MEEKS. Mr. Chairman, I would like to welcome you also to the city of Louisville and on behalf of my colleagues at the board of aldermen here at city hall, welcome you to city hall and our place of business. It is nice to have you here. Congressman Mazzoli, good to have you back as always.

To those State legislators that are here, we welcome you, and we wish that you will come back and join us.

I would like to read my statement. It is not long, and I do have copies that have been submitted.

We note with interest that this distinguished committee is well represented by no less than three members of the Congressional Black Caucus, the Honorable Messrs. Gus Savage, John Conyers, Jr., and Kweisi Mfume, have played an important role in assisting municipal and State legislators——

Chairman LAFALCE. And Charley Hayes, and Floyd Flake, also.

Mr. MEEKS. OK. Also, very good. These individuals have been very, very helpful in assisting municipal and State legislators in meeting the tremendous challenges facing our communities across

the width and breadth of this Nation. Their leadership and support, and, if I may editorialize a minute, the efforts of the entire Congressional Black Congress is vital to the continued development of black political and economic leadership in the United States.

One challenge facing our Nation is to maximize the economic vitality and viability of its communities. I speak here not only of the varied cities, towns, villages, and neighborhoods found in every State of the union. I speak also of the communities of people: Native Americans on reservations; farmers throughout the rural areas of America; urban and rural blacks; Hispanics; and Asians to name a few.

Kentucky companies have become increasingly sophisticated in the advantages and opportunities for international trade. Yet, small businesses and minority businesses will quickly tell you there are serious disincentives for entering into this potentially lucrative area.

The most prevalent of these disincentives is the overwhelming amount and variety of paperwork involved. For the small business person, paperwork is time, and time is a luxury most cannot afford.

Most small businesses do not have the resources to train and maintain specialized employees in this relatively new arena of international trade development. Perhaps, an SBA paperwork reduction act, if you will, would be proper.

Yet, the Commonwealth of Kentucky can be proud of accomplishments made in the international business field. As recently as 8 years ago, according to the Kentucky International Trade Directory—it is a publication by the United States Department of Commerce—some 12,300 jobs were directly related to the production of manufactured goods for export with an additional 12,200 jobs indirectly tied to export sales.

At that time, our State had the highest percentage of small- and medium-sized firms exporting of any southern State. Foreign trade zones were established in Louisville, in northern Kentucky, and foreign charter flights now land in northern Kentucky without first having to go through customs elsewhere.

These advantages, in my opinion, have yet to be completely successful, although we are learning, and we are progressing, and in time, no doubt these will be very, very successful.

Perhaps other speakers this morning will be prepared to offer more up-to-date information on international trade activity in this State. If not, I will be continuing my research in this area, and will be more than willing to forward my findings on to you, to the committee.

As one might expect, the numbers of minority businesses doing international business is minimal at best. Our own City Council Economic Development Office has no minority listing of companies doing international business.

Nevertheless, the chamber of commerce, and at this point I would like to thank two of the members of the chamber of commerce, the staffers there, Ms. Betty Fox and Ms. Patricia Clay, who helped me in my research.

The chamber of commerce has three local minority companies listed as engaged in international business. One black company in the steel processing business does some limited business with a for-

eign nation, with an African nation. And there are two companies owned by Asian-Americans in the chemical industry. One of which does business in Germany, Japan, and in Switzerland.

I believe initiatives, as the Caribbean Basin Initiatives and similarly targeted business development areas, should continue. These can go far in stimulating local interest in the international marketplace.

However, this committee would do well to look closely at the manner and methods of the Federal Export Promotion Programs and related support and technical services offered by the Federal Government. I would be remiss if I did not take the opportunity to say to this committee that continued support for the Small Business Administration is critical. The attacks on the SBA from the current administration have given small businesses, and those who depend on the services it provides, pause to doubt and question the stability and commitments of the agency.

I think your support in pushing forward the support that Congress must show for the SBA is going to be very, very important.

In sum, let me reemphasize several points. Support for the SBA is critical. Firms interested in developing their international trade capabilities will look for specific initiatives which will be supported by the Federal Government. However, it is important that the mechanisms in place for accessing technical and financial support do not themselves create a barrier between the SBA and the businesses in need of its services.

Last, as local governments begin to develop offices and departments here to assist local businesses in the international trade arena, it is important for local legislators to know we have representatives in Washington, like yourselves, who are truly in touch with local government and who will support our local needs in Congress. Thank you for your time and willingness to engage in this dialogue concerning small minority businesses. Again, we welcome you to the city of Louisville, and if there is anything we can do to help in the future, please let us know.

[Mr. Meek's statement may be found in the appendix.]

Mr. MAZZOLI. Thank you for your testimony.

Chairman LAFALCE. Thank you, very much. I thank all of you for your testimony and your excellent presentations.

Mr. MAZZOLI. If I could just make one comment. I think, in following up on what you said Reginald. I think this is the first year that the administration's budget does not seek to end SBA. I would have to say that a considerable part of that reality is Congressman LaFalce's insistence throughout his tenure, and that of his predecessor Parren Mitchell, that the Small Business Administration with changes, modifications, and restructuring was a very valuable part of Federal Government.

So, I think we are over that hurdle now of whether there will be a Small Business Administration, and we are on much more constructed grounds of what should it look like, and what should it do. So, we thank you.

Mr. MEEKS. Thank you, Congressman.

Chairman LAFALCE. On our second panel we will hear from Government officials who are directly involved in export promotion and assistance programs. Mr. Howard Gudell, executive director of

the Kentucky Office of Economic Development; Mr. William Federhofer, District Director of the Small Business Administration; Mr. Donald Henderson, District Director of the International Trade Administration of the Department of Commerce; Mr. Jerry Owen, executive director of the Small Business Development Office at the University of Kentucky; and Mr. Cary Blankenship, vice chairman of the State Export Council. First witness will be Mr. Gudell.

**TESTIMONY OF HOWARD A. GUDELL, EXECUTIVE DIRECTOR, LOUISVILLE/JEFFERSON COUNTY OFFICE FOR ECONOMIC DEVELOPMENT**

Mr. GUDELL. Thank you very much, Mr. Chairman. I would just like to preface my remarks that, as a former upstart New York resident who happened to have worked in Governor Rockefeller's administration, I did vote for you.

Chairman LAFALCE. Where did you live?

Mr. GUDELL. I lived in New York City and Albany and was very close with Congressman Sam Stratton.

Chairman LAFALCE. Sure. What years did you work for the Governor?

Mr. GUDELL. It was back in 1966 through 1970.

Chairman LAFALCE. I did not get there until 1971.

Mr. GUDELL. So, I am OK.

Chairman LAFALCE. Maybe.

Mr. GUDELL. Mr. Chairman, thank you very much for inviting me to speak for you this morning. I am the executive director of the Louisville and Jefferson County Office for Economic Development. As Mayor Abramson had stated, our whole mission is business retention and expansion and our office is dedicated to working with the small businessmen in the community as well as other existing businesses to try to provide incentives to try to help them expand.

We have an International Trade Division within our office that concentrates on export development. I have had the opportunity to travel quite extensively throughout Europe and Asia in the past year. We find, through our travel, that there are tremendous opportunities to export and that the Europeans and the Asians are very much interested in doing business with U.S. companies, with small companies, and particularly, with Kentuckian, Louisville companies. The problems that we have in doing this is that, first of all, we really do not have a national economic development policy. We are probably one of the few Western countries that really leaves trade and policy development up to local governments, State governments, and, as a result, we really do not have a national consistent policy. We are sort of left on our own to deal the best way we can. We find that as we try to promote exports, we also promote confusion, because as we go over and as we talk to foreign businesses, they sort of wonder, well who do you represent and was it not a State before, was it not another city here before.

So, I think one of the things that we might want to take a look at is the possibility of trying to establish some type of overall national economic development policy which sets forth our commitment to do international trade.

We have tried to be creative in our own efforts within the office for economic development. We are one of five cities in the country that have a special relationship with Eximbank. We are one of their test cities to try to see if we can develop programs which will assist local companies in exporting their products. We were the first city in the country to execute an agreement to become a shared foreign sales corporation which allows groups of countries to come together in a corporation and take advantage of tax benefits in terms of exporting their products. We are a river port. We have a foreign trade zone which has been certified by the U.S. Department of Commerce. We have undertaken a number of trade missions, and one of the innovative things that we are doing is putting on seminars on how to do business with. We recently did a seminar on how to do business with Canada. A few months ago, we did a seminar on how to do business with Korea.

So, we are very actively engaged in export development. We believe the Federal Government should be encouraging local governments to be creative in their efforts to export.

However, we feel that there are some areas in which the Federal Government can be helpful. I would like to, perhaps, discuss some of our recommendations.

One, we feel there should be continued support for Eximbank programs. As we talked to them, they would like to do more, but they have a concern about their ability to really meet the needs of small businesses throughout the country. So, we would like to recommend that you examine Eximbank funding and see how we can expand their programs.

Second, we would like to see increased funding for the International Trade Administration. We found one of the most important sources for doing international businesses was the Foreign Commercial Service. They have been absolutely wonderful to Louisville, but they have limited resources in what they can do. You will hear from someone from the International Trade Administration, but we think more cooperation, more funding for ITA is something that the committee might want to look at.

We also feel that one of the biggest obstacles to promoting export on behalf of small companies is the lack of technical assistance. Small companies just do not know how to go about doing it. They would like to, but they are not familiar with programs. They do not know how to go about initiating contacts. They really are afraid to get into the business. They do not know how to collect on letters of credit or make payments in foreign currencies.

So, we think that one of the things that we ought to be looking at is how can the Government provide technical assistance. What we would like to see is some kind of program, in which you would fund cities, or you would increase funding to States so that they can develop programs to provide technical assistance to local companies in exporting their products.

We would also like to see continued efforts to pass legislation which would remove trade barriers. We feel that the FTA, Foreign Trade Agreement, between the United States and Canada is a tremendous opportunity for us to increase opportunities for export development.

Also, we would like to see more incentives to small companies to encourage exports. Perhaps, in the way of increase that tax incentives directs below market interest loans or something which would give them incentive to go ahead and export.

Finally, one of the things that we would like to see considered is, perhaps, the establishment of a U.S. Development Agency, a centralized agency which would be involved in helping to promote exports abroad and would be sort of directed to help small businesses in their export development activities.

In conclusion——

Chairman LAFALCE. Where is that last in your statement?

Mr. GUDELL. That is something that is really not in the statement. As I was listening to testimony here, I thought I would go ahead and, perhaps, just introduce that. I notice that France has one. Italy has one. A lot of other foreign countries have it, and I think something of that sort in our country might be very, very helpful. The Europeans are ready to buy. We understand that there is a new wave of investment that is occurring now. We feel that we need to be in a position to take advantage of it.

Mr. Chairman, I thank you very much for allowing me to testify before the committee this morning.

[Mr. Gudell's statement may be found in the appendix.]

Mr. MAZZOLI. Mr. Chairman, may I? I am sorry. I was drawn out of the room when Howard came in, and I had to be detained for a second, but I want to salute you publicly for having done a remarkable job in the—how long is it, Howard, that you have been with us now?

Mr. GUDELL. Exactly a year.

Mr. MAZZOLI. Just about a year. Some very innovative programs and some very active programs have emerged from the merged Jefferson County and Louisville Economic Development Office. I want to thank you for your work, and I look forward to working with you for quite a long time.

Mr. GUDELL. Thank you, Congressman.

Chairman LAFALCE. Very good. Our next witness is Mr. William Federhofer from the SBA.

## TESTIMONY OF WILLIAM E. FEDERHOFER, DISTRICT DIRECTOR, SMALL BUSINESS ADMINISTRATION

Mr. FEDERHOFER. Thank you, Mr. Chairman and Congressman Mazzoli. I appreciate the opportunity to speak before you today concerning the Small Business Administration's promotion of small business participation in the export market.

As you may know, Jim Abdnor, the Administrator of the SBA, has placed a high priority on international trade assistance.

In export, as in the domestic sector, small business involvement is of crucial importance to our Nation's economic health. In recent articles in Business Week and Inc. magazines, it highlighted that importance. The rise in export levels over the past 6 months have been largely fueled by increasing exports from the small business community.

We know that within Kentucky the potential exists for greatly increased exports. But to realize that potential, Kentucky's small

businesses must become more active in the international marketplace. To do so is good for the businesses and good for our economy.

At SBA, it is our responsibility to increase small business awareness of export markets as a logical extension of domestic marketing, to provide training and counseling in order to help small businesses locate, assess, and enter international markets, and to facilitate the financing of export activity through the financial programs of the agency, in particular, and maybe principally, the export revolving line of credit.

To accomplish these objectives, SBA, in close cooperation with many other international resources, sponsors and supports a variety of training programs and seminars. These programs are expressly designed to draw small businesses attention to the export markets and derive technical information on markets and on the marketing processes themselves.

These training activities are further supported by the counseling efforts of the Service Corp of Retired Executives, SCORE, and the Kentucky Small Business Development Center Program. They are also statewide programs.

These organizations afford the client the opportunity for one-on-one discussion with counselors who can assist or who can make appropriate referral and follow up to the primary export marketing assistant agencies, such as the U.S. Department of Commerce's International Trade Administration, the Kentucky TASKIT Program, and other State and local organizations, such as the one Howard represents.

Another effort of the agency, which we think is quite effective, is the publication of the Exporters Guide to Federal Resources for Small Businesses. The Exporters Guide, a cooperative effort of the Interagency Task Force on International Trade summarizes the various Federal programs for international trade and provides a listing of offices complete with contacts and phone numbers.

It has proved very popular and is now in its second printing. The guide would be supplemented by a guide for international resources guide in Kentucky. Currently in draft form, the Kentucky guide would be on the same format as the Federal guide and will provide access not only to State and local agencies, but also other assistance providers such as the world trade associations, chambers of commerce, and private sector firms which service the international community.

In addition, the agency promotes, among public and financial institutions, various loan and guarantee programs as vehicles for financial assistance. Such financial assistance is not limited to the export revolving line of credit which provides short-term working capital in support of export sales, but rather encompasses the entire range of our financial programs for provision of working capital, plan expansions, and fixed asset acquisition in support of a company's international sales.

In conclusion, the prospect for increased exports from Kentucky is good. The declining dollar, the increased press given international trade, and the emphasis placed on export by Federal, State, and local governments have increased public and private sector consciousness of international trade. It is our task and that of others, who will testify and have testified here today, to help Kentucky's

firms translate that potential into reality. Thank you for letting me testify.

[Mr. Federhofer's statement, with attachment, may be found in the appendix.]

Chairman LAFALCE. Thank you, very much. Our next witness will be Mr. Jerry Owen, the Kentucky SBDC State director.

## TESTIMONY OF JAMES G. "JERRY" OWEN, STATE DIRECTOR, KENTUCKY SMALL BUSINESS DEVELOPMENT CENTER

Mr. OWEN. Mr. Chairman, Congressman Mazzoli, I really appreciate this opportunity to visit with you and to tell you a little about the service programs that are offered for the small business people of Kentucky.

I am James G. Owen, but I am better known in these parts as Jerry, and that is what I prefer to be called. I appreciate your introduction.

As an element of the University of Kentucky's College of Business and Economic Extension Service, the Center for Business Development, which I head, is the lead element of the Kentucky Small Business Development Program. We also operate three other small business service programs, technical assistance to stimulate Kentucky's international trade, short titled TASKIT. The Kentucky Procurement Assistance Program, KPAP as we call it, and the Kentucky Economic Expansion Program [KEEP].

In the interest of time, I will just highlight some of the elements that are in my statement, but I do want to take this opportunity to thank you, Mr. Chairman, and every member of the House Small Business Committee for the support that you have given to the SBDC Program nationally. I would like to also take this opportunity to highlight the support that Congressman Mazzoli has given to the program, both nationally and locally, and to thank him personally for that support.

Chairman LAFALCE. It has been a pleasure.

Mr. OWEN. As said, I will highlight some of the elements of the statement. We are now a network of 13 general service centers, 2 specialty centers, a control center central office. We involve six State universities, one private college, a community college, and an element of State government.

So, you see this is quite a cooperative effort in Kentucky. Our 13 general service areas are geographically disbursed throughout the State so that any Kentuckian can visit any one of these service centers to receive assistance with less than 1 hour of travel. That was the guide that we tried to use in setting up the location of these centers.

The principal thrust of the Kentucky SBDC Program is personalized one-on-one counseling provided by experienced small business management consultants, and I would like to emphasize experienced small business management consultants.

We have 24 consultants and 13 of these have actually operated, owned and operated, a small business. So, we feel we have an excellent staff.

During the 6½ years that the Kentucky SBDC has been in operation, we have provided one-on-one counseling to 13,088 Kentuck-

ians. In the small business firms that have received this counseling assistance, over 15,000 new jobs were created in the first year after the client received the help.

Now, we only measure what happens the first year after. So, this 15,000, in our opinion, is grossly understated because it only measured the first year. Based on two studies that we have done, the return to the Government—I would like to make the same return on my investment that we feel that we are making to the Federal Government. The return has been in, and again, in the first year after they received the counseling, in each of the years that return to the Federal Government has varied from $3.40 of increased tax revenue from these client firms to $4.65. Each year it varies a little. These are the two extremes during the time.

The State government has a higher return on their investment. The return they received varied from $7.26 of increased revenue for each $1 they spent to $9.90. So, you see, this is not a program that is costing taxpayers. It is actually returning benefit to them.

We also have a comprehensive statewide training element in our program. During the 6½ years that we have been in operation, we have presented 1,444 training programs that were attended by 26,130 Kentuckians.

We think we have an excellent training program to get to the role of the Small Business Development Center in international trade. Our business management consultants encourage clients when it is appropriate to consider the international market as an alternative in marketing their products and services.

Then the clients whom these consultants can interest in it, are referred to our TASKIT Program—Technical Assistance To Stimulate Kentucky's International Trade—program coordinator for assistance. Our TASKIT Program was initiated on May 1, 1979, with a grant from the Economic Development Administration. The program was initiated as a pilot program to evaluate a concept that it included an aggressive outreach effort to identify firms with potential to export and to convince them to consider exporting as an available marketing option. A concerted marketing activity included research by faculty alone with conventional methods to identify markets for specific products or client firms and, finally, to provide counseling, technology assistance to clients in negotiating sales, financing, shipping, and so forth, related to the international market.

These comprehensive services of our TASKIT Program continue through February 1983. During these 3 years and 10 months, 174 firms participated in the program. Of these, 85 firms consummated export sales amounting to over $14 million, which could be directly attributed to this program. Why was the dollar value of these exports only moderately impressive? The number of firms starting to export represent an increase of 17 percent of the total Kentucky firms known to be exporting at the start of the project.

In 1983, when funding for the program was terminated by the EDA, we could only continue a minor portion of the program. This was accomplished by making it an element of the EDA University Center Program. Originally, EDA was funding it out of the technical assistance funds that Congress had provided.

Today. we operate our TASKIT Program and keep services with EDA University Center Program funds. We have been notified that EDA University Center funds provided to the University of Kentucky will be phased out by consecutive reductions with the final 6-month phaseout grant of $20,000 ending on March 31, 1991.

Currently, our TASKIT services are provided by a single consultant assisted by a graduate student who researches markets. During the program year that ended March 31, 1988, we had an active client list that included 167 Kentucky firms. We provided specific market leads and assistance to 46 of these firms. These clients, served under the TASKIT Program, reported export sales of over $10 million.

I have included in this statement a copy of the brochure describing each of our four programs.

In closing, I want to highlight the need for comprehensive export assistance programs in Kentucky. I was extremely pleased with the provisions in the Trade bill which would provide funding for an international trade assistance program as an adjunct to the SBDC. This is sorely needed in Kentucky. I commend you, Mr. Chairman, and other members of the committee who are involved in designing and promoting this provision.

If the Trade bill is vetoed, as I understand our President has promised, I urge you to continue your efforts to enact authorizing legislation and to include appropriations in the 1989 budget for this program.

Incidentally, not included in my statement, we will match the program under the formula that you all have set up. Thank you very much for this opportunity.

[Mr. Owen's statement, with attachments, may be found in the appendix.]

Chairman LAFALCE. I want to thank all of you for your fine statements.

And now, Mr. Cary Blankenship, who is the vice chairman of the State Export Council.

**TESTIMONY OF CARY W. BLANKENSHIP, VICE CHAIRMAN, KENTUCKY DISTRICT EXPORT COUNCIL AND MANAGING PARTNER, STRATEGIC DEVELOPMENT ASSOCIATES, LOUISVILLE, KY**

Mr. BLANKENSHIP. Mr. Chairman, Congressman Mazzoli, it is indeed a pleasure to testify today before the committee. What I would like to do for the interest of brevity is just submit my official comments for the record.

I would like to make a comment that is not in the prepared comments that I submitted, and because, unfortunately, Don Henderson, was unable to make it here today—make a comment with regard to the district office and Foreign and Commercial Service of the U.S. Department of Commerce, which the District Export Council works very closely with, in order to help promote exports and to make the business community more aware of the importance of exports both to their businesses and to the Nation as a whole.

One thing, unfortunately, we have seen over the last couple of years, and it is somewhat alarming, is that there seems to be a

lessening in the budgetary area of commitment to the Foreign and Commercial Service of the U.S. Department of Commerce. Here in Kentucky we have a district office, here in Louisville, that services the entire Commonwealth of 120 counties, which represents 3,400 manufacturing operations in the Commonwealth. We have a good record with regard to exports. Over 600 firms are involved, and there clearly is potential for additional exporting.

The local district office has worked very diligently in creating alliances and agreements with both the State and local in cooperating in order to bring about expansion of exports.

Let me mention the fact that within the organization itself a very alarming situation is happening. An example is, you have three professional staff in the district office here, and an annual travel budget of $8,000, and a printing budget which has been slashed unmercifully. Therefore, in creating agreements with chambers of commerce, the Office of Economic Development here in Louisville, and with the State in designating them as associate offices, they are unable to provide them with the necessary printed technical matter in order to help stimulate and provide answers to those constant questions that come about from the small business community in, how do I export? Where do I go to get the answers?

In addition, there has been recurring, not just in Kentucky, but throughout the United States and in the overseas structure of the Commercial Service, a failure to reappoint or fill slots within the various structure in order to meet the needs and requirements.

Let me, and I realize I may well be preaching to the choir, but it is really critical in the area of the Foreign Commercial Service where the contact comes in the foreign countries, the people who work on a day-to-day basis on learning on the needs, the wants, the channels, the vital and critical information that is fed into the overall economic development structure of this Nation, that we must emphasize that there must be a strong, strong financial support from the U.S. Government. There are many times, due to constraints of budget that our commercial section overseas has been unable to compete with the Foreign Commercial Service of Japan, France, Germany, or Great Britain. These nations are very, very active in trying to find the opportunities, identify the opportunities, and make sure that the companies and the individuals back in there respective countries have the very best opportunity to sell their products and to move into those particular markets.

It is a concern, and I would say it is something that I feel that, because of Commerce's mission and goal, a great deal of the services that they do provide is to the small business community. Clearly, they need your support with that particular aspect.

Thank you, very much.

[Mr. Blankenship's statement and Mr. Henderson's statement, with attachments, may be found in the appendix.]

Chairman LAFALCE. I want to thank you very much, Mr. Blankenship and all you gentlemen. I think the testimony today has been excellent. Mr. Blankenship, in particular, you pointed out the unbelievable lack of financial resources for our Government to perform the services of Government in order to have a public-private partnership. I could not agree with you more. You are absolutely

correct. You represent the Kentucky District Export Council. But there is a United States Export Council. You are aware of that.

Mr. BLANKENSHIP. Hm. Hm.

Chairman LAFALCE. It is called the President's Export Council. I am most aware of that because the chairman of President Reagan's Export Council is Colby Chandler, the chairman of the board of Eastman Kodak. Eastman Kodak is headquartered in my congressional district, in that portion of the city of Rochester that I have the pleasure of representing. So, although Colby Chandler is my constituent, he is President Reagan's man when it comes to exports. He is President Reagan's chief private sector export man.

President Reagan's man held a press conference 2 weeks ago, and he said, if we really want to do something about exports, if we really want to do something about the dissemination of the American manufacturing base, I am going to tell you what we have to do. We are going to have to increase taxes. We have come to the point where we have cut the budget so much in the discretionary programs, and your Congress programs are discretionary, your SBA programs, your SBDC Programs. Those are discretionary.

We cut our discretionary budget by about 25 to 30 percent in real terms over the past 8 years. Sure, we can cut a few other places, but if we are going to make a dent we are going to have to increase taxes, and that represented a 180-degree reversal from Reaganomics. The one saying this was President Reagan's chief private sector person with respect to exports. I just thought that was very, very interesting.

Something else I should say to you. You were kinder in your oral testimony than you were in your written remarks. You are concerned, and legitimately so, about everybody getting into the act. Should different agencies be involved in the promotion of exports or should it be centralized?

You need coordination. Commerce should be doing an awful lot more. One problem with Commerce though is not that it cannot assist small business, not that it has not assisted the small business community, but there is often the tendency at the Department of Commerce to listen more to the Eastman Kodaks of this world than the small businesses. The big problem is you do not have the outreach arm. You do not have the field service capacity, it seems to me, and most places in the United States may differ here.

There are more networks within, say, the SBA. There are more networks within the Small Business Development Corporation. So, what we have to do is look at the service delivery system capacity that we have utilized that, so long as it is in concert with the entity, the agency, that has the most knowledge and expertise to get them working together. I do want to see Commerce, SBA, and SBDC's working an awful lot more closely together in the future. No question about that.

We do not have jurisdiction over the programs of the Commerce Department, but one of the things Congressman Mazzoli and I did was to say that we will not have more money overall, but within our SBA budget let's try to reorder the priorities a bit. So, we gave an additional $3½ million to the SBA for export promotion, and we gave $5 million more to the SBDC for export promotion. That is in the Trade bill, and that is in the SBA Reauthorization bill, too.

Mr. BLANKENSHIP. Mr. Chairman, I think what you will find here in Kentucky is Mr. Federhofer and Don Henderson, who is the director of the district office, have signed a cooperative agreement, much like the national agreement between Commerce and SBA with regard to cooperation and assistance with one another.

Chairman LAFALCE. What I want to do too, is to see a cooperative between the Eximbank and the SBA, for example, where the SBA would have the authority to get approval for Eximbank loans, which I think would be a very helpful——

Mr. BLANKENSHIP. The concern though, and rightly so—at the national DEC meeting in February in Washington, it was almost as if it was a total revolution from the chairmen of the various—and all 50 DEC chairmen signed a resolution expressing their concern about the Administration's commitment to this particular issue and to programmatic actions in order to try and stimulate exports. I do not think at the exclusion of an agency, but with the one purpose in mind.

Chairman LAFALCE. Very interesting.

Mr. MAZZOLI. Thank you, Mr. Chairman, I really do not have any questions. I want to salute my colleagues on an excellent testimony which is going to be very helpful.

Second, I would like to underscore what I think you already sense, Mr. Chairman, that we in Kentucky have worked together. It has just been a custom of ours to do so. We do not have those kinds of conflicts in those territorial imperatives that seem to be so bothersome in other communities of the country.

Third, I think this, of course, is very important. I think it shows that, while Kentucky does not rank as one of the Nation's populous States, I think Mayor Abramson or, perhaps, you Howard had said something, and we were about 20th or 25th in the country, about halfway through the States in the activity. There is tremendous, tremendous current activity, and there is a tremendous, tremendous potential activity in commerce, generally, but also in foreign commerce, if the right resources are presented and if the right information is given.

So, I want to salute my colleagues on the fact that, even though each runs a separate operation, you do coordinate your activities and stay in touch with one another. I think that is really quite commendable, and I think it is giving us a pretty good bounce for the buck where some other States, counties, and areas may not have that kind of a situation. So, we very much appreciate it. The testimony has been excellent.

Chairman LAFALCE. Very Good. On our third panel we will hear from Mr. Jim Roberson, president of the Louisville Chamber of Commerce; Mr. Charles Williams, vice president of the First National Bank of Louisville; Ms. Carol Thierman, vice president of the Liberty National Bank and Trust Co. of Louisville; and Robert Schutz, the president of the Summit Co., which provides management assistance for exporting requirements.

Mr. WILLIAMS. Mr. Chairman, I understand that Mr. Roberson had to leave, and he asked me to extend best wishes and thanks to you.

Chairman LAFALCE. Well, then we will hear first from Mr. Charles Williams.

**TESTIMONY OF CHARLES M. WILLIAMS, SENIOR VICE PRESIDENT, FIRST NATIONAL BANK OF LOUISVILLE, LOUISVILLE, KY**

Mr. WILLIAMS. Thank you, Chairman LaFalce, Congressman Mazzoli. I appreciate the opportunity to testify today. According to the instructions which I received, I am going to testify regarding small business export problems and opportunities and, further, to examine the effectiveness of the State and local level of Federal export promotion programs and other activities which were designed to increase the availability of small businesses to compete in the international marketplaces.

First of all, if you do not mind, I will start by giving you my view of the environment that the small businessman faces in Kentucky. I think that it is fair to say he does not live in an environment which promotes exporting. He does not live in an exporting environment. Many of these small businessmen do not live in an urban area like Louisville. Frankly, outside the major urban areas there is not a lot of expertise. There is not a lot of expertise designed to help these people export.

So, more than likely, the small businessman probably will not think about exporting at all. If he does think about it, he will think about it as something not possible. If he thinks even further, he may think that it is risky, it is very complex, that there is a high cost of entrance into the international marketplace, and he may just forget it.

Again, the situation is worse as you get away from those urban areas like Louisville, because the expertise is just not there. There is expertise out there to help the small businessman. However, I would like to run over some of those, and I would like to put those in separate groups.

One of the groups that I would like to talk about is the group which I call the missionary group. That would include the ITA, the Commonwealth of Kentucky, city, and I just found out today, the SBA. These are the groups which I believe will go out and talk to the exporters, and encourage them to think about exporting, help them promote their products, and help them to find markets. I call them the missionaries.

In addition to that, there is another group which I would call the technical assistors. In this group I would include such things as banks, freight forwarders, export management companies, consultants, organizations such as the Kentucky World Council, and last, I would like to include the Japanese trading companies. You may or may not know that three Japanese trading companies have all recently established offices in Kentucky and are actively looking for Kentucky products to ship to Japan and elsewhere.

One of the problems that the small businessman will face, that has already been discussed, is the complexity, the paperwork, not knowing any of the technical details. All of this help is available. It is available from the people I just mentioned, et cetera.

We, in our bank, have given a number of seminars throughout the State of Kentucky on the technicalities of international trade. How did he get paid? How did he get paid without risk? How do you finance your products? We have given this type of technical as-

sistance. We are supporting the missionaries, as I call them. Freight forwarders, export management companies, and consultants can do the same thing.

The problem is having the needs of the small businessman, and a small company, and a small city in Kentucky, how does he know about that? How does he get to it. I would like to come to that in just a minute.

One other item I would like to discuss is financing. How important is financing? I frankly do not feel financing is a major impediment to exporting. Frankly, I think financing is already available from many different sources. It is available from the banks and financed export sales even to very difficult countries overseas.

There are a number of techniques which we can use such as FCIA or private insurance, Exim, or SBA to do this type of financing. I will admit that there are occasions, and I have seen them, where some small companies will get a major new order and be unable to find financing to fill it. So, there is a need. What I am saying is that I do not think that is a major impediment. I know the SBA does have its export finance program. I am unaware if any of those loans have been made. So, I am not aware of how effective that program is.

Let me just mention one thing, and I have expanded this in my remarks about Japan. What does a small businessman do in Japan? I will not go into all my comments. But, in Japan the small businessman is going to get a lot of assistance from JETRO, Japan External Trade Organization. He is also going to be able to go into a trading company. Some of the largest companies in the world are the Japanese trading companies. You may know that they are handling a lot of U.S. exports to Japan.

This provides the small businessman an easy way to get involved in international trade. He does not have the risk. He does not have the paperwork. He does not have the high cost of entering the marketplace. I wish that our export trading company legislation had been more effective. I do not know why it has not been.

Chairman LAFALCE. This Export Trading Company Act did not come out of the Small Business Committee. It did come out of the Banking Committee. I am the primary author of it in 1982. I, too, wish that it had been more effective than it had been. I remember when President Reagan signed it into law in 1982, it promised, he said, to create about a million additional jobs in the United States. Well, it surely has not fulfilled that promise. I worked additionally on this with the Carter administration. This was initially proposed during the Carter administration. We were able to pass it in 1982, the Reagan administration. I just do not think the banks have been aggressive enough. I think that has been the primary reason, although, they did say that the bill was not good enough when passed. There was this little imperfection and that little imperfection, et cetera.

So, we got to together with the banks, the banking community. We got together with the Justice Department because we had to have changes in the Webb Pomerene Act. We got together with the Federal Reserve Board, and the Commerce Department, and we came to agreement.

We have in one title of the Trade bill now, the changes in the Export Trading Law of 1982 that everybody agreed were necessary to, at least, make whatever changes were necessary so that the law could not be used as a scapegoat for the ineffectiveness of the export trading companies.

It hurts me when I hear about Japan having three export trading companies here in Kentucky. Why does not the United States have three export trading companies in Japan? The very first hearings held on the issue of export trading companies were hearings that I held in the Small Business Committee, because I do not want to have export trading companies for the benefit of the banks that can form them or Sears, that can form an export trading company. I want to have export trading companies here to be beneficial to the small businesses. Big businesses do not need export trading companies. They can do it themselves.

Small businesses are the ones that can get lost overseas, and they are the ones that need export trading companies. We have been working on that issue.

Mr. WILLIAMS. Excellent. Excellent.

Chairman LAFALCE. Working on that issue. That is in the Trade bill, too. That is another reason why the President should sign it.

Mr. WILLIAMS. Finally, one of the other things that I think the Japanese exporter will find is that there is a lot of publicity in Japan. First of all, he is in an exporting environment. A lot of people around him are exporting their experience, and he is told that, not only is it in his company's best interest, but that it is in the national interest for export. So, he has a lot of incentive to export.

So, in recapping the problems, I think one is that he has got to be encouraged to think about exporting. To think that it is possible.

He has to, next, have a good confidence that he knows where to go for good assistance. He has to some how get over the problem of the cost of entering the financial marketplace, and possibly financing is a problem.

Some of the recommendations I had, is that there should be, there needs to be, some cooperation, some better cooperation, I think, between the ITA Commonwealth and the cities. Providing some sort of united front to get outreach to these small businessmen. I understand the SBA is also involved in that.

I am a little concerned that all these players may be creating confusion in the mind of who to go to. I think the small businessman in a smaller community needs to know where to go to get good assistance.

Again, I think these, the companies I mentioned, are primarily evangelists, and they know where all the resources are. They know where all the banks, the export management companies, et cetera, that can come out. We are happy to come out to support their efforts.

So, I think there needs to be some more communication, some more coordination in their programs. I would like to see some State admissions from the various cities, State, and ITA, perhaps, SBA.

I think also, there is a strong, I know a strong local desire on the part of the ITA, and the State. But, I think they are very under-

funded, seriously underfunded. I do not think they can be very effective as they are. So, there needs to be more funding there.

I would also encourage participation in joint trips abroad, participations in trade shows and catalogue shows, some way to help get over the high cost of entering the—perceive the high cost of getting in the international marketplace.

Finally, I have said something about export financing funds. Although, I said earlier I did not think financing was a major impediment, export financing funds may be used as an incentive to get small businessmen involved in exporting. It may be the incentive they need.

We have granted incentives to companies coming to Kentucky. Why not grant some incentives to small businessmen expending their exports over seas and creating jobs in the process?

Thanks very much.

[Mr. Williams' statement may be found in the appendix.]

Chairman LAFALCE. Thank you very much. Good. Very good. Let us see, our next witness will be Carol Thierman, vice president of the Liberty National Bank and Trust Co. of Louisville.

Ms. Thierman, in my former incarnation when I was simply a practicing attorney, I had the pleasure of having as one of my clients the Liberty National Bank and Trust Co. of Buffalo, NY.

**TESTIMONY OF CAROL THIERMAN, VICE PRESIDENT AND MANAGER, INTERNATIONAL DIVISION, LIBERTY NATIONAL BANK AND TRUST CO., LOUISVILLE, KY**

Ms. THIERMAN. First of all, I would like to welcome you and Mr. Mazzoli to our city and thank you for your time. I would like to thank you for the opportunity to be able to speak to you briefly today on behalf of the small companies in Louisville and throughout Kentucky and the various Government group agencies that we worked with on a daily basis.

It is very rewarding to see a company take a product in Kentucky and be able to ship it over seas and have a successful sale. As of May, at our bank, exports now exceed our imports. That is something we have not seen for many years. I would like to just make a few comments on my prepared statement.

I have known and worked closely with U.S. Department of Commerce and Small Business Administration since I have been involved in international trade, which has been for 14 years.

I feel the ITA and SBA provide valuable trade leads to companies throughout Kentucky. They not only encourage companies to enter in foreign markets, but they teach and instruct companies how to effectively sell their products worldwide.

Our bank and the U.S. Department of Commerce work closely together to promote the advancement of economic and industrial development throughout Kentucky. I feel that they are extremely essential in making Kentucky a State actively and successfully involved in international trade.

[Ms. Thierman's statement may be found in the appendix.]

Mr. MAZZOLI. Thank you very much.

Chairman LAFALCE. Thank you very much, Ms. Thierman. Our next witness is going to be Mr. Robert Schutz, president of the

Summit Co., which company actually provides what we have been talking about, the management assistance so necessary for exporting firms. Mr. Schutz.

**TESTIMONY OF ROBERT D. SCHUTZ, PRESIDENT, THE SUMMIT CO., LOUISVILLE, KY**

Mr. SCHUTZ. Thank you. I would like to commend you, Chairman, for coming to Kentucky and taking what appears to be a real genuine interest in the small business in our community and our efforts to promote our exports. I know that Congressman Mazzoli is concerned with international trade, because I met him for the first time probably 15, 16, years ago when he spoke to our Kentucky Commerce Council.

Chairman LAFALCE. That is right.

Mr. SCHUTZ. So, I feel like he has been fighting this struggle for a long time.

Chairman LAFALCE. I will tell you an interesting story. Remember Harvey Salvenger?

Mr. SCHUTZ. Sure.

Chairman LAFALCE. Harvey was kind of the founding member, I think, of that, the charter member of the agency, and I ran into him out there in Woodmix, at one of the awards that company received, and Harvey told me—and I think my first experience goes back early in my career, into the early 1970's—how active export matters were in our community even though, as I share Mr. Williams' concern, that the environment is not exactly an export environment, but there was a lively export activity. So, I really go back all the way with Harvey Salvenger. He has probably been my mentor in this whole area of foreign trade .

Mr. SCHUTZ. Well, I am sure he is still around.

Chairman LAFALCE. Is he still?

Ms. THIERMAN. He just recently retired.

Chairman LAFALCE. Is that so? Well, thank you very much. I appreciate that. In fact, I think he was the one that actually invited me to that meeting, and I have attended a few in the interim. Thank you.

Mr. SCHUTZ. I was a little bit confused, or unclear as to what the purpose was today, so, I am going to change a lot of my prepared remarks.

Chairman LAFALCE. Fine.

Mr. SCHUTZ. And then make a few offhanded comments about our Federal Government's contribution to our export efforts.

The Summit Co., which is my company, is an export management company, and there has been considerable discussion or comment here today about small business and the fact that they lack the technical prowess or abilities to get involved in the international trade.

The Mayor opened today's meeting with those comments. Mark O'Brien also echoed the lack of knowledge, and Charles has indicated the same thing.

An export management company, as I am sure you all know, is a firm that specializes in international trade. The Summit Co. is an export management company which began business 15 years ago

with the idea to represent the small- to medium-sized manufacturers in Kentucky selling their products overseas.

As manufacturers often use independent manufacturing reps to market their products throughout the States, so, too, can companies that do not have in-house export knowledge, use the services of an independent professional in international marketing to extend their sales overseas.

Some export management companies specialize in geography, while others specialize in industries. Our approach has been to work with local companies across a broad brush of product lines. This has allowed us to have a very close working relationship with our principals and to become an integral operating part of their company. We can often be in their place of business because of our close proximity, and become knowledgeable about their company and its products. This is truly an advantage when traveling overseas and meeting the buyers, to carry this confidence and this knowledge about the companies that we are representing.

Our basic responsibility is to handle all aspects of the marketing and distribution functions and to do so on a worldwide basis. Some companies specialize in a particular geography, whether it be Europe or the Middle East, but we are actually experiencing business on a worldwide basis. We market products in Canada, Latin America, Europe, the Middle East, the Far East, and Australia, so we pretty much cover the world.

Our philosophy to our manufacturers is you produce the product. We will take care of the overseas marketing. It is that simple. We become the export department for the small- to medium-sized manufacturer.

Chairman LAFALCE. Do you have much competition?

I would just think that you might be in a tremendous growth industry.

Mr. SCHUTZ. There are a few other export management companies in the Louisville market. Of course, in the national—the world trade centers, New York, Chicago, Miami, there are hundreds of trading companies. Charles mentioned the trading company. You talked about the export trading companies.

Chairman LAFALCE. Of course, that's different than a——

Mr. SCHUTZ. It's a little different, although I like to think that we are the mini-Japanese trading company. Sometimes, we even get involved in importing. But there are a few other companies like ours in this community.

If I may digress a little, I think that one of the services that all of our Government agencies can offer here is to introduce manufacturers to the idea that there are independent for-profit businesses acting as trading companies, and that they very easily could be interested in——

Chairman LAFALCE. This is the key point, because one of the things we want to do is to encourage as much development in the private sector as humanly possible. We do not want the Government to substitute itself for private sector entrepreneurs. We want to encourage that. We think that there is a lack of individuals such as yourself, however, with management expertise, with expertise regarding the overseas market, and, therefore, we think there is a void that has to be filled by the Government to a certain extent.

But very often we don't have enough individuals in the Government who have that knowledge or expertise, and so we might create something, but the individuals in the Government themselves don't have that expertise.

So, if we could help you help the small business community market their product, or their services sometimes, as the case may be, that may be the best approach.

Mr. SCHUTZ. Well, I think there can be some help, and that is not simply to promote my company, but the fact there are company——

Chairman LAFALCE. Companies such as your company.

Mr. SCHUTZ. Yes; exactly. I think it also can be a hand-in-glove arrangement because there are good services provided by the U.S. Department of Commerce, for example, to find distributors overseas and to get credit information on companies, trade promotions, and this kind of thing.

But the actual hands on, the doing of the thing is really not their job. They are not supposed to do that. If an export management company can come in, and pick up where they left off, and actually do the marketing, find the distributors, find the customers, take care of the financing, and even more important, or not more important, but as important is the transportation functions.

Chairman LAFALCE. Well, let me tell you one of the things I envision. For example, when Congressman Mazzoli and I put $5 million in for the small business development centers, we didn't expect the small business development centers were necessarily going to go out and hire an individual person as their employee, or two, with whatever moneys they had, but they could enter into a contract with somebody who already has that knowledge and expertise, and they would define that in the contract.

Now we can do this in Congress, the services they would expect, the number of businesses, the number of hours, some performance goals, et cetera. Rather than reinvent the wheel, we did envision possibly using those moneys in that fashion. But using that as one of the governmental arms to reach the private sector to help the small businesses who have products and services.

Mr. SCHUTZ. Too often, small- to medium-sized manufacturers are told, well, exporting is easy. All you have to do is try. It is not easy. Business is not easy, and international sales is just an extension of one's domestic trade.

So, sometimes I think they do a disservice by telling the manufacturer that it is easy. It is not, and it takes considerable effort. The first thing I say to potential clients is that you have to be patient. The gestation period for international trade is far longer than it is for domestic sales, and it takes time and a commitment.

I would also like to address, if I might, just a couple of suggestions for the Government to help small business particularly, American exporters in general.

In Europe and in Asia, domestic producers have a floor provided by their government which is receivable insurance for international sales, foreign credit insurance. I realize we have similar services available to us in this country, but in my opinion, the folks that run those programs make it extremely difficult to get it, and almost discourage people from using it because of the requirements

and the restrictions in the use of the foreign export credit insurance.

I think one of the very beneficial and tangible benefits that our Federal Government could do for the exporter would be to delve into this subject in particular, and come up with, even if it is just for small business, an export insurance program that is easy, and one that they can plug into to take some of that fear away that I think keeps a lot of people out of exporting. In my opinion, it is too difficult to use in the way it is right now.

I think if I could also mention one other point. I realize that the Federal Government now is talking a lot about exports which we have no choice. We must export it. It is not a choice we have. One of the things we need to tell our manufacturing community——

Chairman LAFALCE. Because we have not exported enough, and we have imported so much in a short period of time, the United States has become the largest debtor country in the history of the world. We have got to export more. We have got to become a surplus country unless our children are going to pay for our sins today.

Mr. SCHUTZ. Well, there was a time when we were.

Chairman LAFALCE. Yes.

Mr. SCHUTZ. In my remarks I sort of made a joke. I do not think George Washington had in mind that we would need a U.S. Department of Commerce to tell our manufacturers that you had to export. The reality is that we do. We have no choice.

Chairman LAFALCE. One of the things we are dealing with is our business community is trying to export, and our business community is not just competing against other businesses in this country. Our business community is competing against other businesses in other countries, and the governments of the other countries.

Mr. SCHUTZ. Exactly.

Chairman LAFALCE. Because the governments of the other countries work hand in hand with their businesses in a lot of different ways. They promote their exports. They subsidize their exports. They put up barriers to imports; that is, the United States exports to these countries, et cetera.

So, it's not a question of getting our Government off our back. It is a question of getting our Government on our businesses' side. That is what we have to do.

Mr. SCHUTZ. It is very difficult to play a game when the rules are stacked against you, and frankly, that is what we are doing in most areas.

Chairman LAFALCE. Yes.

The approach Congressman Mazzoli and I have taken, and sometimes this has not served us well with our colleagues—we are both Democrats, and sometimes our fellow Democrats have gotten mad at Congressman Mazzoli and me—but we have said, we do not want to talk about protectionism around the United States, so we voted against protectionist legislation.

We voted for legislation that opens the doors in other countries that will retaliate against other countries when they have their doors closed, but mainly we have been supportive of measures that will help make America's businesses more competitive by making better products at lower cost. That is the approach that we are

trying to get our colleagues to agree to, and sometimes we succeed. I think we succeeded in the Trade bill. Sometimes we do not succeed, and sometimes we get even our own Democratic colleagues mad at us on account of that, but we think that is the approach our country has to take.

Mr. SCHUTZ. I would like to make one closing comment, and I know they told us to keep our remarks very brief, and so, in the interest of that I will make one other comment, and then I will stop.

As you take your export promotion campaign across the country or wherever you do take it, I think there is one thing that I am very fearful of when it comes to American industry exporting, and it is our image. It is a fact that they have to understand that they are getting into a little bit of a different arena here. I have traveled in business for 20 years, and I have been just about everywhere in the world that we can go, and I am very, very strong pro-American.

I am discouraged with what I see of the lowering of our quality standards as a manufacturing nation. It has come to my attention in the last year or so that the Europeans are now questioning our ability to produce a quality product and be a dependable partner in trade, and we're following Great Britain where they were several years ago on the European continent, when continental companies would not even entertain buying from England because they had no confidence in the quality and the dependability of the producer.

We, the Americans, who used to be known for the industrial leaders of the world, are no longer enjoying that reputation, and I think it's terrible. I hope that we can address that issue. But I will say to anybody who wants to export, price obviously is important. We have to be competitive, but if the quality is not good, they will not take you seriously.

[Mr. Schutz' statement may be found in the appendix.]

Chairman LAFALCE. Amen. Quality, quality, quality, and price, price, prices. Those are the two things.

I got in trouble last year as I have been saying we cannot build a wall around the United States and become protectionist. We have to export. We have to become competitive. We have to compete on equal terms, to be sure, but I voted against a textile bill last year. I got labor so mad at me because I voted against the textile bill that despite the fact that I had about an 85 percent voting record, labor said we are not going to endorse the Congressman. But I kept arguing that protectionism will bring about the death knell of the United States. We have a global economy today. We have to compete in that global economy. We have to penetrate those international markets. We have to sell rather than just buy, and that is what we are doing in the Trade bill, and that is why I hope the Trade bill can be passed, because we are enhancing our competitiveness. We are opening the doors, and I hope labor will be kinder to me this year than they were last year.

You do not know anything about that?

Mr. MAZZOLI. No; I know nothing about that, Mr. Chairman.

Chairman LAFALCE. That is my experience in my district.

Mr. MAZZOLI. I can say this, and I happened to join you in that vote on the textile bill, because I really felt that while you cannot

help but be moved by the plight of people who lose their jobs, people who are hard working, decent, family-supporting members of our community who lose their jobs because of low-priced imports, the answer is not to shut off the market, because that is a short-term answer which will lead to two things: A higher domestic price and a lower domestic quality which furthers a worldwide depression, a la Smoot Hawley. So, there has to be another answer. We cannot be oblivious. One of the things that John and I have tried to do, in addition to announcing our feeling that you cannot set up barriers, is to make sure that there are trade adjustment systems, and to make sure there are unemployment benefits, retraining assistance for people who are directly affected by imports, so that we do not just cast them adrift in the ocean and let them fend for themselves, but to put the barriers up, to put up those brick walls, which are so easily demolished anyway, and so porous in the end analysis, as to really do us a disservice in the long run.

So, it is important that we do compete. It is important to compete in a quality basis, because, again, I do not know anything about your business, but I do know enough about quality to know that unless the quality is high, consistently high, that the supplies are reliably there, and the person or the company is a dependable company, you are not going to get anywhere whatsoever with making an effort in international sales. It is just not that way.

I think all of you have made a wonderful contribution to the hearing today, and this is the exact kind of information we need to take back to Washington for our use, and we do appreciate it.

Chairman LAFALCE. Very good, yes; thank you very much.

On our fourth panel, we will have Mr. Stan Byers, the president of the Bunton Co.; Mr. Michael McGrath, the director of international marketing for Hillerich & Bradsby Co.; Glenn Raque, president, Raque Food Systems; and Mr. John Stern, the president of Kentucky Wood Fibers.

I do not believe Juanita Burks is here.

Mr. MAZZOLI. She is not here.

Chairman LAFALCE. Well, let us hear from Mr. Byers. We have been hearing about all these wonderful things that Government agencies have done, should do, and then you have been hearing from banks, and you have been hearing from counselors and management. You are the fellows that do it, so now, let us hear from you and what your concerns are. We are especially pleased to have you.

Mr. Byers.

## TESTIMONY OF STAN BYERS, PRESIDENT, BUNTON CO.

Mr. BYERS. Thank you, Mr. Chairman and Congressman Mazzoli. Thanks for having us here this morning.

My remarks are brief. As you can tell, they are very brief, and the reason for that is with the dollar the way it is today, exports are wonderful. They are profitable, and our exports are increasing by some pretty good percentages, I think. Last year we were up 30 percent. This year we will be up 40 percent in export sales.

We have been exporting our products for over 20 years—basically to Canada, Europe, Japan, and Australia.

Two points I would like to make. One, the trade agreement with Canada. I mentioned in my written testimony that import duties have dropped on our products from 17 to 11 percent.

Chairman LAFALCE. We eliminate those tariffs under the Free Trade Agreement.

Mr. BYERS. Correct. We have already opened two new distributors, and we are presently talking to four others, and I think we will have probably the whole country covered within the next year because of those agreements. Before that, we just could not sell Bunton products in Canada, and now we will be able to. So, we do appreciate that.

The other concern we have is something to do with the Consumer Products Safety Commission. A few years ago they promulgated mandatory lawnmower standards.

Chairman LAFALCE. If you need a distribution point for your lawnmowers, there are four bridges that go from my district to Canada. We have the Ontario and Quebec market, 15 million of the 45 million Canadian people within an easy distance.

Mr. BYERS. OK, we will remember that.

About 4 years ago the Consumer Products Safety Commission established a mandatory standard for consumer powered lawnmowers. Along with that standard, the CPSC also wrote some language in the requirements that if you exported to foreign countries, even though you met the safety requirements of your units being shipped into those countries, if it did not meet current U.S. safety standards, we had to notify the CPSC in writing 30 days in advance so that they could notify the government of the country that those units were being shipped into.

What most companies—I guess all companies in our industry have chosen to do is go ahead and ship units to foreign countries that meet both standards so that they do not have to raise that red flag. But keep in mind, it also adds additional cost. In our case, it is roughly 6 percent of the selling price to include those safety controls on units.

I think that with the countries we are exporting to with the safety standards that we have to meet to get our products in those countries to start with, that we do not need the CPSC requiring us to also notify or include safety features that we have to put on our products for sale in the United States.

Chairman LAFALCE. Thank you very much, Mr. Byers.

[Mr. Byer's statement may be found in the appendix.]

Our next witness will be Mr. Michael McGrath, director of international marketing for Hillerich & Bradsby Co.

## TESTIMONY OF MICHAEL McGRATH, DIRECTOR, INTERNATIONAL MARKETING, HILLERICH & BRADSBY CO.

Mr. MCGRATH. Thank you, Chairman LaFalce, and Congressman Mazzoli. I will just go ahead and read the prepared statement as it is written here.

Hillerich & Bradsby's export opportunities are dramatically on the increase in comparison to just a few years ago. Golf is on a worldwide boom. Golf is growing at rates much higher than in the United States, in some areas, especially Western Europe. Baseball

and softball, because of their enhanced status of being played in the Olympics, are rapidly being developed in numerous new markets and countries.

Hillerich & Bradsby, the makers of Power Built golf equipment and Louisville Slugger baseball and softball equipment, has always sought to capitalize on export sales. Over the last 5 years H&B has intensified its concentration internationally.

Additional positive influences in support of H&B's opportunities are the favorable U.S. dollar to foreign exchange ratio, the heightened popularity of U.S. sports around the world, and the fact that U.S.A.-made sporting equipment enjoys a high level of esteem in foreign countries.

The names Power Built and Louisville Slugger are especially held in high regard. Competition from foreign sources on golf is primarily limited to the U.K. and Japan. Baseball equipment, especially bats, have really only fair competition to some extent from Japan, even less from Taiwan.

Hillerich & Bradsby would be interested in all Government assistance, promotional, technical, and financial assistance to facilitate its efforts in international business. However, problems for H&B exist in Japan, Korea, and Taiwan.

In Japan, we face formidable nontariff barriers on our aluminum bats. It costs us up to $3,000 per model—and we have 50 or so—to have our bats tested and approved for the Japanese market. This testing procedure takes upward to 6 months; sometimes 12 to 18 months. Many times our bats are disapproved, based on some arbitrary specification not necessarily related to actual field performance specifications.

Our bats can readily be sold in any country of the world, but not Japan. We want to take our line to Japan and distribute them just like the Japanese bring their cars, stereos, and electronics to the U.S.A. and distribute them. We do not want to be impeded by testing and approval. We want to market our bats in Japan just like the Japanese are allowed to market their bats, gloves, shoes, and other baseball and softball related accessories in the United States.

This is the kind of help our Government should give Louisville Slugger and other bat companies.

Other problems that surface are the unrealistic high tariffs for golf equipment in Korea, which has been 289 percent. Golf gloves imported from Korea to the United States have only a nominal duty of 4.9 percent. Baseball-softball gloves and batting gloves have no duty into the United States when coming from Korea. We need governmental help for Power Built here.

We continue to be confronted with all sorts of manufacturers, marketers, and Korean and Taiwan ripping our trademarks off. We can only register our marks and try to contest known offenders. We need strong action from our Government on this issue for both Louisville Slugger and Power Built.

Chairman LAFALCE. I just get mad when I hear testimony like this. Not mad at you, not mad at the testimony, but mad that what you say is true and that our Government has not been doing anything about it. That is why we have this Trade bill, and the President has not been doing anything. What we did is we took a lot of the authority the President has—he still has it, but we also gave it

independently to the United States Trade Representative so that the President will take political considerations into effect; the USTR might not, and we just toughened it up an awful lot so that the President and the USTR are much more required to take action when they see Japan taking 18 months on a testing procedure that should not take more than a week or so, I would imagine.

Or when somebody is putting a tariff on of approximately 300 percent, that is like saying you cannot bring it in, and you have got to do something about that. The way to do something about it is not to say, OK, here, but you have to force them to open their doors, or you have to be able to retaliate in some way. You have to have some reciprocal ability to deal with them.

If you just are constantly saying, well, please be nice, we are not, and that is how we wound up with these huge trade deficits. That is one of the reasons. There are a lot of reasons. The value of the dollar, as you point out, was one of the principal reasons, but last month our deficit with Japan went up; it did not go down. It went down with some other countries. It went down with Korea, it went down with Taiwan, but it went up with Japan. The dollar started to decline in February 1985. It has taken them an awful long time to have very much affect at all, and it is still giving us a deficit regardless of the fact that you are exporting 20 percent or 30 percent more. That is terrific, but our deficit is still about $120-$150 billion.

We need more companies exporting more abroad, and we should be buying less from abroad, too, if we had better products and services at a lower cost here.

Let us go to our next witness, Mr. Glenn Raque.

## TESTIMONY OF GLENN RAQUE, PRESIDENT, RAQUE FOOD SYSTEMS

Mr. RAQUE. There are a few things I have written that I do not believe have been mentioned yet. This whole argument that we need to export to be most effective—however, I believe that concentration of public funds to promote exports should be in the areas that enjoy the greatest value-added percentages, and that is those areas where U.S. companies can claim a significant, if not dominant, percentage in the marketplace.

A long-term solution to our import-export problem cannot be found in the simple fact the dollar is low right now, and exports are going up. We have got to find long-term solutions that allow us to continue to export even in times when the dollar's value starts to rise.

It seems to be true that our small businesses can be the most efficient of American businesses. It also seems to be true, however, that many, if not most, American businessmen are reluctant to do business overseas.

Without personal experience overseas, or even with our land-based neighbors, many American entrepreneurs prefer to remain in familiar markets. They view the communication, legal, transportation, and service problems to be an unprofitable drain on their efficiencies. It is these areas specifically that can and could be addressed, and should be addressed by the public funds.

Communication is the top of the list. Tours of facilities in various parts of the world should be set up with business people of targeted industries that could profit in that part of the world invited to take part. Emphasis should be placed on bringing together American producers and foreign buyers, not simply sales agents. These gatherings should emphasize personal contacts to promote the elimination of the communication barriers that impede many U.S. business people now.

Public money could effectively be spent to aid private businesses in interpreting foreign laws and regulations. Government officials should be spending some time attempting to bring U.S. and foreign standards closer together. Efforts should be made, for instance, to help establish electrical and plumbing codes that could apply to export and importance equipment alike.

Legal problems also inhibit most small businessmen. It is difficult, at best, to keep up with changes in requirements for domestic manufacturers and seems all but impossible when compounded by regulations in foreign languages. Keeping pace with these changes overseas and distributing such information should be a function of a government anxious to promote exports.

An infrastructure already exists through which efficient dissemination of information to industries, specific to their area of interest could be accomplished. The insurance companies covering exports would be well advised to participate in the distribution of such Government published information that may affect their clients and thus their losses.

A typical example might be the recent change in legislation in Germany that shifts the responsibility of bad product produced, bad food products produced from the producer to the machinery manufacturer that produced those products regardless of how that machine is run. Those types of things are difficult for a small businessman to interpret and to deal with.

Domestically, we need to clean up our customs and immigration procedures to ease the movement of industrial goods. There must be something wrong with a system that can support an entire industry that does nothing but handle the required paperwork to export and import goods. It is difficult to believe that we will convince our foreign neighbors to streamline their import paperwork if ours is as bad.

It is also a gall to a U.S. executive who arrives in a U.S. port of entry and finds he must pay a customs agent, already on duty and manning a station, overtime just to re-enter his own country. It becomes even more galling when a foreign national enters at the same time and pays no fee at all. This situation exists and has existed for a long time in the U.S. territories, particularly the U.S. Virgin Islands.

Even more specifically, I believe that programs currently in place to sponsor U.S. participation in worldwide exhibitions should be expanded. International exhibitions represent the best way to reach the largest number of buyers in the cheapest way and in the shortest time.

For first time exhibitors overseas, however, even these expenses can be too great a risk to attempt to enter into an unknown market with all the perceived difficulties described above.

Not least among these expenses is the transportation of U.S. equipment to exhibitions. It is often thought among first time exhibitors that it is just too expensive to ship an unsold machine into an unknown market only to have to ship it back. Publicly underwriting the return cost of unsold exhibition goods could go a long way toward encouraging reluctant small businesses to become participants in a worldwide market. Further underwriting of exhibition costs would pay dividends in increased U.S. participation many fold.

Education of the U.S. manufacturer to the desires of a worldwide marketplace as well as to the competition that exists in those marketplaces can also best be accomplished at these international exhibitions. It also focuses the attention of the experts on the these markets to the needs of the exhibitors, and not on the general background of those who might one day participate.

It is not inconceivable that even U.S. businesses could be encouraged to enter foreign markets if sponsorship of qualified buyers to attend U.S. shows and tours of U.S. facilities could be arranged to bring together foreign buyers and U.S. producers. We seem to spend huge sums of public money to bring foreign manufacturers to the domestic workplace. Perhaps some of the energy should be devoted to promoting the joining of foreign buyers and domestic exporters.

[Mr. Raque's statement may be found in the appendix.]

Chairman LAFALCE. Thank you very much, sir.

Our last witness today is Mr. John Stern, the president of Kentucky Wood Fibers.

## TESTIMONY OF JOHN STERN, PRESIDENT, KENTUCKY WOOD FLOORS

Mr. STERN. Mr. Chairman, Congressman Mazzoli, it is Kentucky Wood Floors. I guess wood floors are made of fibers, but the company is Kentucky Wood Floors.

Chairman LAFALCE. Oh, I am sorry.

Mr. STERN. That is all right. My remarks and this cleanup will be brief.

I think our company, in particular, and many small businesses and new small businesses probably share the same feeling. We recognize the need for increased exports. Right now all our energies are directed toward the domestic market. It is a world economy. It is an international marketplace. It is changing, and I think you will see in the very near future that we will be redirecting our efforts and looking at it as a world market. It is just that right now we are running as fast as we can domestically.

One point—I support H&B's representative with regard to having a level playing field. We do not have it right now. The foreign countries are making it difficult for us. We should ask them to remove those barriers, and if they do not, then we should respond in kind.

I do not think that there are problems—there are those types of problems. But in terms of other problems like capital and paperwork, I do not see those as problems. Perhaps excuses. The one problem I see—and this hearing has been an education for me—is

not that there are impediments, or there are difficulties to doing export business. As I see it, the resources and the programs are in place, but there is no central source, there is no directory, there is no one book, or one folder to go to that briefly lists everything that is available, both at the Federal, State, and local level. I think that is one of the things that ought to be done. Where does one go to when we are looking for help in converting our domestic packaging into packaging that will be appropriate and meet the requirements for the export market.

Chairman LAFALCE. I think someone testified that there is such a booklet on the Federal level for the small businessman, and it gives every single entity, agency that you can go to for assistance.

Mr. STERN. OK. I am not aware of it, and I would be interested in seeing it. But I think it ought to combine Federal, State, and local, and in the process, they might eliminate duplication of services, and then you can take that money and redeploy it into areas that are not getting proper funding.

I think one of the problems is that businessmen such as myself who do a little bit in the export market, and want to do more, and will do more if we had one source to go to, it would enable us to do more export.

One final point that in a sense does not apply to export, but indirectly it does. We import quite a bit, and some of which products get converted and as a result are exported. The problem we are having with that right now is that many of them, coming from south of the border and from Latin America are being delayed for customs inspection, primarily for drugs, and it is not so much the cost of that we have to bear—and we should not have to bear, but we do bear it—as it is the time and the delay in getting the products.

So, I would like for somebody to address that. I do not know if there is an answer to that question or a solution to that problem, but it is a problem, a minor problem, but a problem that we face.

In summary, I think a lot of what has been done, not that that is not enough, but it is quite a bit, it is a matter of presenting it in a logical one-stop, one-shot situation, and I think exports will increase.

Mr. MAZZOLI. Gentlemen, thank you very much. A couple of points only. One is, I know the panel, virtually all of you, and of course I remember, Stan, that Herb was very active early on in export activity at a time when very few people gave that much of a thought.

I think I told you the story of one day seeing the grass cut at the Capitol with Bunton lawnmowers, and I figured that was kind of a good thing. I always felt very proud to see that sort of equipment being used in the Nation's Capitol, and talking to Herb over the years about export activities.

So, one of the things I think I remember reading in my briefing material for today's hearing was that one of the secrets of people who have been active and found that export international trade has been fruitful is you have to get in there early. You sometimes have to get in when you are a relatively small company, and not wait until you are a big company and get into it that way.

I think probably Bunton probably could slip back to 20 years, or maybe more, of some presence in foreign markets, and I think that is why. Of course, Mike's dad and I were great friends, and I remember when the McGrath's lived over there on Hawland Avenue, which is now Parkway Drive. That was years and years ago, when 14 of you stuffed yourself in that three-bedroom house or something. It was a remarkable act.

Also, H&B has been active for probably most of the years of its life in foreign markets. So, there again you have a very strong background.

Let me ask all of you this question. Just, for example, Glenn, do you use some kind of an adviser? Do you use either a free-standing for-profit foreign trade adviser, or have you all pretty much done your own job for yourself, or have you used small business, or how have you functioned in that setting?

Mr. RAQUE. We do not use anybody outside the company. We have selected to move through people that sell for us overseas.

Mr. MAZZOLI. OK, so yours is an in-house.

Mike.

Mr. MCGRATH. Same here.

Mr. MAZZOLI. It is in-house.

For financing and so forth, if you need it, you go outside. But basically deciding the market, talking to your sales agents abroad, that sort of thing is done by your own company.

Mr. MCGRATH. It is done all on the inside. But being a small company, the problems we have, there is really hardly anything you can do about it.

Mr. MAZZOLI. John.

Mr. STERN. It is in-house.

Mr. MAZZOLI. In-house.

Chairman LAFALCE. You say in-house, but do you use foreign reps in different countries, independent countries?

Mr. STERN. Sure. Depending on the country and the requirements; yes.

Mr. BYERS. Yes; we have independent distributors in the foreign countries that import Bunton products for sale; of course, for profit.

Chairman LAFALCE. Is it their job to market your products too, to make the sales?

Mr. BYERS. Yes.

Chairman LAFALCE. You have some type of percentage basis that you use?

Mr. BYERS. Well, they buy the product at our regular importer price, and then they mark it up to the profit that they need to survive.

Chairman LAFALCE. I see.

Mr. MAZZOLI. Well, very good. Gentlemen, it was excellent testimony. It is exactly what we were looking for, the people who are down in the trenches, and I thought it was interesting that you, Glenn, said something about material which is sent overseas for exhibition which is not sold, and then it has to be transported back and things like that. It is interesting.

Mr. RAQUE. Well, that program used to exist.

If it were not for that program, we probably would never have entered the overseas market years ago. We were in exactly that po-

sition. It just cost too much to ship a machine over there and maybe not sell it.

With a small business, that represents a pretty good size outlay. The chamber of commerce, the national chamber of commerce, at that time sponsored a program that allowed you to ship your machine to an international show. In this case it was a show in Dusseldorf. If the machine did not sell, they would pay for the return shipment, and it was that incentive that sent us there the first time, and we have been there ever since.

Mr. MAZZOLI. Interesting.

Chairman LAFALCE. Very interesting.

I want to thank all the members of this panel, and members of all four panels once again. I really believe that if you want to get knowledge and information, you have to get out of Washington, DC, and you have to get out into the rest of the country, the real world. That is why we have been having hearings in Kentucky, North Carolina, Louisiana, California, State of Washington, Illinois, and are going to Indiana shortly, et cetera. We are trying to go out to all the regions of the country that we possibly can within our time constraints, and find out what the real problems are from the real people, and try to bring that wisdom back to Washington.

Thank you very much.

Mr. MAZZOLI. We thank you all very much.

[Whereupon, at 11:40 a.m., the hearing was adjourned, subject to the call of the Chair.]

# APPENDIX

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STATEMENT OF
HONORABLE JOHN J. LaFALCE, CHAIRMAN
COMMITTEE ON SMALL BUSINESS

FIELD HEARING ON SMALL BUSINESS EXPORT PROBLEMS
Louisville, Kentucky
May 20, 1988

The purpose of today's hearing is to examine the effectiveness at the state and local level of federal programs designed to enhance the ability of small businesses to compete in international markets. We will also explore ongoing state and local efforts to encourage and assist small firms that wish to enter foreign trade.

Small business continues to be a formidable economic force as the principal source of growth and innovation in our national economy. America's small firms -- those with fewer than 100 employees -- are responsible for nearly two-thirds of the new jobs created over the past few years, and now employ over half of the private sector workforce. They account for half of the gross domestic product, and are a vital source of the innovation, new products, and services which drive our economy.

Clearly, the nation's small businesses have tremendous export potential and can play a key role in the recovery of our international competitive position in the world economy. Small business can contribute substantially to reducing the U.S. trade deficit and are a natural resource for export-led growth. Government studies have indicated that at least 30,000 small firms have the potential to export but currently do not.

But the small business sector faces serious problems hampering its ability to contribute to the international competitiveness of our economy. Public policy must respond to the needs of small business by expanding export opportunities; by facilitating technology transfer; by increasing access to long-term capital; and, generally, by creating the conditions that foster innovation and business development.

It is for this reason that I asked the Speaker of the House, when the Trade Bill was being developed at the beginning of this Congress, to include a separate title for small business, which he agreed to. The Small Business Title drafted by this Committee is designed to refocus existing federal programs toward promotion of small business exports, and to provide small business with the technological resources and capital that it needs to compete successfully in world markets.

Since the President indicated his intention to veto the Trade Bill, which he is now expected to do within the next few days, the Small Business Title has also been included in the Committee's SBA Reauthorization bill. So this legislation will be enacted regardless of the fate of the Trade bill.

But this legislative initiative is only a first step in developing a trade strategy that makes the best use of our small business resource. In order to be effective, export initiatives must of necessity be focused on the local level. It is therefore essential that we continue to examine export promotion and assistance programs at the state and local level in order to determine how best to focus federal resources in the effort to increase small business exports.

We are fortunate to have as witnesses today a distinguished group of government officials who have been actively involved in export promotion activities; several individuals from the private sector who provide export assistance to small firms; and small business owners who have experience in export trade.

On our first panel, we will hear from the Mayor of Louisville, Jerry Abramson; Representative Clay Crupper, co-chairman of the Small Business Task Force in the General Assembly; Representative Mark O'Brien, chairman of the Task Force on International Trade and Development; and Alderman Reginald Meeks, who has a particular interest in export problems faced by minority business owners.

On our second panel, we will hear from government officials who are directly involved in export promotion and assistance programs: Howard Gudell, Executive Director of the Kentucky Office of Economic Development; William Federhofer, District Director of the Small Business Administration; Don Henderson, District Director of the International Trade Administration of the Department of Commerce; Jerry Owen, State Director of the Small Business Development Center at the University of Kentucky; and Carey Blankenship, Vice Chairman of the State Export Council.

On our third panel, we will hear from Jim Roberson, President of the Louisville Chamber of Commerce; Charles Williams, Vice President of the First National Bank of Louisville; Carol Thierman, Vice President of the Liberty National Bank & Trust Co. of Louisville; and Robert Schutz, President of The Summit Company, which provides management assistance for exporting firms.

On our fourth panel, we will hear from Juanita Burks, President of Burks Enterprises; Stan Byers, President of Bunton Company; Mike McGrath, Director of International Marketing for Hillerich & Bradsby Company; Glenn Raque, President of Raque Food Systems; and John Stern, President of Kentucky Wood Fibers.

STATEMENT OF U.S. REPRESENTATIVE ROMANO L. MAZZOLI
BEFORE U.S. CONGRESSIONAL SMALL BUSINESS COMMITTEE HEARING
ON EXPORT PROMOTION AND OPPORTUNITIES
MAY 20, 1988

Before beginning my brief remarks, I would first like to thank my friend, John LaFalce, Chairman of the House of Representative's Small Business Committee, for accommodating my request to hold this field hearing in Louisville.

My colleague has served the Thirty-Second District of New York since elected to the House in 1974, and I would like to commend him for the fine work he has done during that time. He has aggressively -- and successfully, I might add -- worked to promote federal legislation in behalf of our nation's small business men and women and has demonstrated courageous leadership to enact many of these initiatives in law. I am privileged to serve with him in Congress and on the Small Business Committee.

I feel that this hearing, to discuss export promotion and opportunities for our area small businesses, is timely for a number of reasons. The United States cannot continue to run record trade deficits. They cost American jobs and have contributed to making America a debtor nation. American producers must have the opportunity to compete fairly in world markets.

There is no better time than now for small businessmen and women to take advantage of such opportunities. The dollar exchange rate is down some 35% since early 1985, and global economic conditions and prospects support expectations that the dollar will remain at competitive levels for a long time. Exports have traditionally been one of the biggest sources of sales growth for U.S. firms, and with a world market four times larger than the U.S. domestic market, there is an immense potential for increased sales.

Recognizing the window of opportunity which is now opened to American exports, every level of government has established programs to assist small businesses in seizing that opportunity. And, no legislative committee has been more aggressive and imaginative than the Committee chaired by Mr. LaFalce.

Most recently, in H.R. 3, reflecting the views of the Small Business Committee, the Omnibus Trade Bill recently passed by Congress, language was included to expand the functions of the Small Business Administration's (SBA) Office of International Trade in order to promote further sales opportunities for U.S. small business in foreign markets.

H.R. 3 authorizes $3.5 million for the SBA to carry out its new trade-related activities. An additional $5 million is authorized in grants to Small Business Development Centers (SBDCs) to provide export-related activities to small businesses. And, H.R. 3 increases the limit on SBA loans to purchase new plant and equipment from $500,000 to $750,000, and to $1 million for guaranteed loans to export-oriented businesses only.

Because Chairman LaFalce and the rest of the Small Business Committee members believe that these provisions would provide important and needed assistance to small business owners, we included identical provisions in H.R. 4174, the Small Business Reauthorization Act which was recently approved by the Committee. This was done in the event H.R. 3 is not enacted into law.

Export assistance programs for U.S. businesses have also been implemented through the EXPORT NOW program. EXPORT NOW is a partnership/campaign of the private sector and the Commerce Department. Teams of spokespersons have been mobilized to heighten public awareness about increased opportunities for U.S. businesses in foreign markets. This public awareness campaign will be reinforced with export marketing assistance. A limited number of brochures are available on the table outside the Chambers.

In addition to these efforts at the federal level, I am pleased and proud of the activities in which officials here in Louisville and Jefferson County are participating in an effort to promote small business export opportunities. In a few moments we will be hearing from our Mayor, Jerry Abramson. Jerry has been particularly active in the Conference of Mayors' Special Program for Small Business Development, working with the SBA and local officials to identify the problems in assisting small businesses. Jerry has also played a key role in the National Small Business Development Partnership Program, which seeks to foster growth in small- and minority-owned businesses.

I am also pleased that the federal Export/Import Bank selected the Louisville and Jefferson County Office of Economic Development -- headed ably by Howard Gudell -- for a demonstration project to receive technical assistance from the Export/Import Bank in developing an export program. There is a high level of enthusiasm in our community for this project, and I feel it will be beneficial for area small businesses.

Finally, I am encouraged by the interest of today's witnesses, who are government officials, service industry representatives and small business owners, in expanding markets for U.S. products. I believe that their testimony will be beneficial in helping us to coordinate federal, state and local efforts of providing effective export assistance programs.

# City of Louisville

**OFFICE OF THE MAYOR**

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JERRY E. ABRAMSON
MAYOR


TESTIMONY BY JERRY E. ABRAMSON

MAYOR OF LOUISVILLE

Before the

COMMITTEE ON SMALL BUSINESS

U.S. HOUSE OF REPRESENTATIVES

May 20, 1988

## Introduction

Congressman LaFalce, members and staff of the Committee on Small Business, and Congressman Mazzoli, thank you for conducting this field hearing in Louisville today and for the opportunity to testify before you.

Addressing the concerns of small businesses in Louisville is among the top priorities of my administration. Of particular importance are the needs and concerns of our small businesses and entrepreneurs for them to be successful and prosperous in Louisville. Having experienced a transition away from a historically manufacturing-based economy to a service-oriented one, Louisville recognizes that small businesses are our "major employers." Today, small businesses in Louisville are creating some 80% of new jobs in the community.

It is imperative that those needs and concerns be addressed as growth occurs to ensure an environment conducive to their growth. To promote economic development in Louisville and to encourage the expansion within our existing small businesses, the following need to occur:

1. Increased sensitivity and response by government to the daily and long-term needs of the community's businesses.

2. Creation of broad based administrative and legislative policy recommendations to provide long term support to local businesses.

3. Continued cooperation and coordinated planning among City and County Governments, the Louisville/Jefferson County Office for Economic Development (OED), the Chamber of Commerce, and local universities and colleges to maximize the use of community resources available to businesses.

For Louisville to succeed in its economic development efforts, i.e., enhance the current economic climate for small businesses and prepare the community for the economic challenges of the next century, three areas must be addressed:

1. Creating an environment to encourage emerging new businesses to locate here.

2. Maintaining an environment which encourages existing small companies to remain in the community and encourages them to expand locally.

3. Providing opportunities for new and existing businesses to grow and prosper.

Working together —local government and local business— through an established and effective public/private partnership, the City of Louisville will be better prepared to meet the economic challenges facing our community and its businesses, both large and small.

Based on my experiences and involvement with our small business community and local entrepreneurs, four general areas related to the growth and success of our small businesses are as follows:

Small Business Financing
Minority Business Development
Entrepreneurial Opportunities
Exporting

## SMALL BUSINESS FINANCING

Small businesses provide over 80% of all new employment in Louisville and Jefferson County. Obviously, their continued operations and opportunities for expanding are critical to the economic health of this community.

Local government recognizes the potential for growth in this segment of the business community, and the importance of providing assistance, wherever possible, to encourage that growth. There is also an awareness that small business growth is contingent upon access to adequate capital.

The City of Louisville currently provides lending programs to small businesses. However, there is a need to expand existing direct lending programs and target them toward particular businesses. Such expansion of financial programs ensures that businesses will be able to base location decisions on market considerations rather than on the availability of government assistance.

Louisville and Jefferson County Governments, through its joint economic development office, are in the process of consolidating and standardizing all city and county lending entities into one institution: The Metropolitan Business Development Corporation, or METCO. Such a consolidation will streamline operations and reduce confusion about what capital is available, where it is available, and how to obtain it.

The availability of "near equity" or "gap" financing programs offer government an opportunity to impact the largest number of businesses with the least amount of funds. By providing subordinate government funding with flexible terms in conjunction with conventional private sector financing, many otherwise non-viable projects can be made viable. This approach ensures that this community's tax base and employment opportunities can be increased with minimum use of scarce public resources.

While private lenders are generally able to meet most of the capital needs of small businesses, many instances occur where available private capital is insufficient. It is in these instances, i.e., where capital is available, but at insufficient levels, that local government considers it appropriate to supplement or augment available private capital. Such appropriations and supplements provide the necessary funding to overcome the shortfalls in the private capital markets and makes "almost" business deals a reality.

Additionally, the City of Louisville recognizes the competitive nature of economic development among surrounding and regional communities. An understanding that inducements to companies to remain or relocate in our community is required. While a conservative cost/benefit analysis is necessary to determine an appropriate level of governmental assistance, some "up front" assistance to such companies may be required in order to provide long-term benefits.

## MINORITY BUSINESS DEVELOPMENT

Statistical information compiled by the Louisville and Jefferson County Office for Economic Development from research and surveys on local minority businesses revealed that assistance is needed in the following areas:

1. Access to start-up and additional capital.
2. Technical assistance in the areas of management, accounting and marketing.
3. Opportunities for networking with majority-owned businesses and government agencies.

### 1. Access to Capital

When searching for capital, minority businesses face many obstacles in trying to obtain financing. The obstacles range from inadequate collateral to required business management skills. The City of Louisville's minority assistance program is coordinated through its Office for Economic Development's Metropolitan Business Development Corporation (METCO). It is essential that local government continue to support minority business development because it translates into economic growth and opportunities for the entire community.

### 2. Technical Assistance

Minority businesses face similar problems as those confronting any small business. However, these problems are sometimes compounded by the lack of business knowledge and opportunities. The inability to identify potential markets and the lack of means to survive in difficult times are prime causes for small business failures, including those owned by minorities. This phenomenon can also be attributed to social and economic barriers which have limited the access of minority business owners to financial and management resources.

The minority business community has cited the need for technical assistance in the areas of management, accounting and marketing as critical to their operation and subsequently, to their success. While the Office for Economic Development does not ordinarily provide technical assistance, the OED does provide a referral service to small business persons to agencies and organizations that can address their needs. Several of these agencies are financed in part by the City.

In view of the level of assistance rendered by these entities, the city will continue to provide support so that programs may be expanded and promoted. OED monitors these sources and communicates needed information to minority and other small businesses.

Currently, assistance is available through several community organizations and agencies. The Louisville Minority Business Development Center (LMBDC) and Bellarmine College Small Business Development Center (SBDC) provide counseling in many aspects of operating a business including marketing, accounting, and financial management at little or no charge.

The University of Louisville Center for Entrepreneurship and Technology (CET) assists entrepreneurs in bringing to market unique and innovative products and services. Staff counseling, referrals, education and training, program development and evaluations are among the services available at no charge to the business.

3. Networking

The need to "network" to expand contacts, clients, etc., exists for all businesses, especially for minority businesses.

The City of Louisville, through its Office for Economic Development, encourages networking by supporting forums targeted to the minority business community. The objective of such forums is twofold: to provide networking opportunities among minority firms, and networking among majority-owned businesses.

OED's Business Focus meetings, held monthly, provide an open forum for the local business community to exchange information and convey concerns to their elected and appointed government officials. In addition, the Focus meetings target particular geographic areas and industries so those attending have an opportunity to meet and network with their counterparts.

The Louisville Chamber of Commerce sponsors after work "Business Breaks." The purpose of these breaks is to provide an atmosphere to encourage networking among representatives of the local business community by holding them in central locations throughout Louisville.

## ENTREPRENEURIAL OPPORTUNITIES

There is general agreement that the new entrepreneurial/small business economy now serves as the primary catalyst for the creation, expansion and retention of business, job and self-employment opportunities.

According to Dr. David L. Birch, Director of the MIT Program on Neighborhood and Regional Change, Louisville ranks among the top third of U.S. cities in business start-ups. However, his research also shows that once most of those businesses are up and running, they don't remain here.

There exists a need in Louisville to develop and implement programs to encourage local entrepreneurs, and those entrepreneurs outside the city, to consider Louisville as a site for their venture. Programs should also be developed to assist these business people to remain and expand in our area. The need to have access to markets exists for many of these ventures and an environment must be created and maintained to help aid in their success.

One area currently being addressed nationally and in Louisville is the development of a small business incubators. The City of Louisville, through OED is developing an incubator in cooperation with the University of Louisville. The Louisville Small Business Incubator is a project that would assist start-up companies in creating jobs. The university, local businesses, and local and state governments will act as support groups for incubator tenants.

The incubator's primary tenants will be technology-related manufacturing concerns or proprietary service companies. Low rental fees will be provided as well as technical and managerial support services.

Being located at the university, the incubator will have access to a variety of advisors: the School of Business faculty for business and financial planning and market research studies; the Speed Scientific School faculty for technical problems in product development; and graduate students for project assistance and analysis. Outside individuals, agencies, and businesses would also be made available to provide assistance and support.

Effective management of the incubator is critical to its success and will be the responsibility of U of L. A policy/advisory board will be appointed with the responsibility of establishing policy, approving projects, and developing a creative environment for entrepreneurial activity. "Exit" policies will be developed on an individual basis and tenants' progress will be reviewed on a periodic basis.

OED's pre-application for financial assistance to the U.S. Economic Development Administration (EDA) has been approved and the agency has requested a formal application be submitted by July 15. I encourage Congress to support Louisville's application with EDA to assist us in developing this important economic development project for our community's entrepreneurs.

## EXPORTING

Recent debate and studies indicate a major part of the solution to problems due to the U.S. trade deficit is through increasing its exports. This situation is being addressed at the local level by encouraging local companies to take advantage of international trade opportunities in the Louisville community. It is critical that the United States encourage more small and medium size manufacturers to become active in international trade. The success of many major trading nations such as Japan, Korea and Taiwan is in part the result of the entry of their small firms into world markets.

In the United States, less than 10% of all manufacturers export with the majority of such activities being the province of a few large companies. It appears that this situation is the result of a lack of understanding of the value and opportunities which exist in foreign markets. It is also in part due to the failure to provide more information, technical assistance and access to companies with export potential.

Exporting offers companies an opportunity to locate additional markets resulting in increased sales/profits, new/outside money being infused into local economy, and provide opportunities for new jobs.

In 1985, Kentucky industries had over $3.1 billion in export related sales. These exports were directly related to the creation of over 24,000 jobs in Kentucky and its ranking among the top 24 exporting states. During that same year, export related manufactured goods accounted for 9.7% of the total manufactured goods placing Kentucky 35th among the states.

Louisville, with its strong industrial base, accounts for almost one third of all industrial activities in Kentucky and maintains a strong exporting position. Our community has many features which encourages trade opportunities:

- -Louisville serves as a regional financial and legal center.
- -Standiford Field Airport serves as the location of a United Parcel Service hub which has direct package service to major international distribution centers in Japan and Europe.
- -The city is within close proximity to major Japanese investments, including Toyota Motor Company (USA).
- -The Jefferson RiverPort has a Foreign Trade Zone certified by the U.S. Department of Commerce.
- -Several local banks have received certified lender status by the Export/Import Bank of the United States.
- -OED has an agreement with the American Association of Enterprise Zones to establish a Shared Foreign Sales Corporation.

I have been very active, along with the Office for Economic Development and the Louisville Chamber of Commerce, promoting Louisville and local companies to international markets abroad. Our efforts include participating in international trade shows and one-on-one meetings with international business prospects. Top priorities in our efforts include encouraging overseas businesses to import Louisville products, locate an international branch office in the area, and promote international tourism in Louisville.

Recently, the Louisville/Jefferson County Office for Economic Development created an International Commerce and Trade Section to encourage and guide local companies to export their products. The program's emphasis in on assisting small and medium size manufacturers which, generally speaking, lack the knowledge and technical expertise to market their products abroad.

At the federal level there is debate occurring regarding the recently signed U.S.-Canada Free Trade Agreement (FTA). This comprehensive agreement, intended to remove barriers to trade and investment between the U.S. and Canada for most industrial, agricultural and service sectors, would prove beneficial to some local industries.

A specific example is the case of a local manufacturer of finished wood products. His concern is his business must pay a 15% tariff to sell its products in Canada. However, a Canadian manufacturer of a similar product pays only a 6% tariff to enter the United States. Another local business pays a high U.S. tariff on the raw materials it imports, obviously decreasing the company's profitability.

Some of Louisville's industries that would benefit from FTA include:

- Agricultural industries
- Wine and distilled spirits companies
- Automotive industry and its suppliers
- Energy suppliers
- Service-oriented companies including banks, insurance firms, trust companies, and security firms

The U.S. and Canadian federal governments are important customers to many local manufacturers. The FTA will open a larger segment of this market allowing for increased government procurement competition for our local suppliers. It is expected that the agreement will clarify present rules regulating U.S.-Canadian trade in services which will enhance access for our architectural, tourism, telecommunication, computer services, and transportation industries.

Passage of this trade agreement is important because of the significant import-export opportunities for local businesses. The FTA's expected impact on Louisville's economy would include opening additional markets to local companies, increasing their sales, profits and opportunities for expansion and creating new jobs for area residents.

## Conclusion

Developing Louisville's opportunities for attracting and retaining businesses, especially small businesses, will determine the economic future of our community. In the last few years, great strides have been made in building a strong foundation to establish a decisive plan of action to obtaining this goal.

Both local governments and public and quasi-public economic development agencies are working together like never before to develop a list of priorities and an agenda to move Louisville forward. A major fund raising effort, the "Campaign for Greater Louisville," is two million dollars away from its $10 million goal. This campaign will play a key role in our business attraction and retention efforts.

As Mayor, I am extremely excited and positive for what the future holds for Louisville and look forward to working with our state and federal governments in our economic development efforts. I strongly encourage your cooperation and financial support on major projects we have requested assistance. I also encourage your close scrutiny on these projects as I believe those dollars are, and will be, well spent on projects that not only benefit the citizens of our metropolitan area, but also are worthy of national attention as model economic development projects.

Thank you again for allowing me the opportunity to testify today.

Testimony

By

Representative Mark O'Brien

House of Representatives Small Business Committee

May 20, 1988

Louisville, KY

Good morning, Chairman LaFalce and distinguished members of the committee.

It is a privilege to be on your program today to discuss such vital issues as international trade and development.

Due to the time limitation, it would be impossible to adequately cover every major idea presented to the Legislative Research Commission's Task Force on International Trade and Development over the past 2 years. Therefore, I will take only a few minutes to convey to you some of the major thoughts or trends that developed.

However, just as background information, I might mention that the Legislative Research Commission, during the 1986 Regular Session, felt that The Legislature needed to review the various international trade and development programs that were operated by state government, identify where there may be



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weaknesses, and then determine if legislation or administrative regulations were needed to assist small and medium sized businesses to increase their share of the international markets.

Many small and medium sized businesses have quality products that could be competitive in the international marketplace. Often, business owners and managers reluctance to attempt to export overseas stems primarily from a lack of basic information regarding "how to" break into the overseas market; or from a lack of financial capital; or possibly from not knowing where potential buyers are located and what products they are seeking.

In order to learn more about these important issues, the International Trade and Development Task Force invited several experts to testify from a variety of areas, such as, the U. S. Department of Commerce's International Trade Administration, the Kentucky Departments of Agriculture, Commerce, and Energy, the private sector and the universities, to mention only a few.

There appeared to be several trends or patterns that emanated from the experts. Today, I would like to share a few of them with you.

First, federal, state and local governments do have a constructive role to play to promote economic development, to create new jobs, to develop a higher standard of living and to assist businesses to become involved in international trade. However, we should tread cautiously and we should allow the private sector to have a pivotal role in helping us identify how we may be able to assist them.

Second, government--especially at the federal level--should apply pressure upon other countries to reduce both tariff and non-tariff barriers. This needs to be done without stifling trade or erecting our own trade barriers.

Third, assistance should be provided to small and medium sized businesses by supporting innovative activities, such as the incubator concept, entrepreneur programs, and university sponsored workshops that help local entrepreneurs develop export skills.

The Task Force on International Trade and Development made 7 recommendations to the Legislative Research Commission.

In closing, I will mention recommendation number four which "Urges that Representatives of the Task Force on International Trade and Development and Representatives of the Appropriate Executive Agencies and the Private Sector Meet Periodically with the Kentucky Congressional Delegation to Coordinate Strategies Pertaining to Commerce, International Trade and Economic Development."

Frequent coordination sessions would be crucial to keep all appropriate agencies and program representatives apprised of major commerce, international trade and economic development legislation pending in Congress and in the Kentucky General Assembly; to impact Administration policies, regulatory guidelines and programs administered by the U. S. Department of Commerce and other related agencies; and to share information pertaining to local development initiatives. It is essential that we communicate with one another and to effectively and efficiently coordinate our resources.

Your willingness to hold your meeting in Louisville has indicated that you are very interested in communicating, cooperating and listening to our ideas.

On behalf of the Kentucky General Assembly, I thank you for allowing me the opportunity to appear and to share our thoughts with you.

I would be delighted to answer any specific questions you may have.

Thank you.

Testimony

by

Representative Clay Crupper

Co-Chairman, Task Force on Small Business

Kentucky General Assembly

to

House of Representatives Small Business Committee

May 20, 1988

Louisville, Kentucky

First of all, Mr. Chairman, I would like to thank you, Representative Mazzoli and your committee for your hard work on behalf of small business throughout the United States. We particularly appreciate you, Congressman Mazzoli, bringing this committee to Louisville in order that small business people in Kentucky can be heard on the issue of export opportunities. As Co-Chairman of the Task Force on Small Business and on behalf of our committee, I would like to welcome you all to Kentucky.

You may be interested to know that small business in Kentucky is as vital to our economy here as it is on a national scale. For instance, studies of the Kentucky economy show that ninety-seven percent (97%) of the businesses have fewer than one hundred (100) employees and these small businesses are responsible for creating nearly seventy percent (70%) of all new jobs in Kentucky between 1979 and 1986. Perhaps an even more startling statistic is the fact that during that same

period firms employing two hundred fifty or more lost 39,000 jobs while firms with fewer than one hundred employees added 54,000 jobs to Kentucky's economy. This certainly is testimony to the importance of doing everything within our power at the federal, state and local level to help small business continue this strong record of growth and job creation.

This morning I want to briefly focus on several recommendations and suggestions for your committee's consideration and action.

(1) I want to strongly support the testimony of Representative O'Brien. The work and recommendations of the Task Force on International Trade and Development were outstanding.

(2) I would particularly like to focus on one of the Task Force's recommendations which Mark didn't highlight earlier as a specific way Congress can help Kentucky small businesses develop export opportunities.

Congress last fall appropriated money to fund a regional International Trade Development Center at the University of Kentucky to assist farmers and agribusinesses in the Appalachian Region, the Ohio Valley and the Southeast to compete more effectively in many world markets. We understand that this effort is a fifty-fifty (50-50) match over a five-year period, where U.K. would be responsible for raising funds to match what Congress appropriates. These funds will be requested through the Agriculture Appropriation Bill for fiscal year 1988-89.

We solicit your continuing support for establishing this trade center at the University of Kentucky by voting and working for the appropriation of these funds.

(3) As you know, the national trade deficit is one of the most pressing problems which we have. The trade figures which came out this week are an improvement and are encouraging that we may be turning this problem around.

However, in my opinion we need a strong federal/state policy to actively and continually encourage exporting by small business throughout the United States. Just as skiers have adopted the slogan "think snow", small businesses need to be encouraged to "think exports".

To accomplish this, I would like to recommend that your committee mandate that the Small Business Administration undertake a nationwide campaign, state-by-state, to encourage the small business sector in export development.

I am sure that if our regional office of the SBA here in Louisville were to work with our small business community and our Cabinet on Economic Development, that our exporting statistics for small businesses in Kentucky could be and would be greatly improved.

(4) Encouraging countries overseas to lower their trade barriers is absolutely essential to the process of our

improving the balance of trade. For example, this fact was brought home to me when I was a member of a Kentucky trade delegation in May and June of 1986 which toured several Asian countries in order to encourage them to import Kentucky products, particularly agricultural products.

We found that the tariff on some U.S. products, tobacco in particular, was so high that it made American products non-competitive. American cigarettes, for instance, cost $1.50 to $2.00 a pack and a $1.10 of that was in tariff charges.

While we understand that recent tariff relaxations in Taiwan and South Korea have helped tobacco export prospects, we think as a general rule your efforts to encourage across the board lowering of trade barriers will significantly help us here in Kentucky.

(5) During the Asian tour we also found out that there was significant interest in other Kentucky agricultural

products. They were interested in importing approximately $20 to $50 million dollars in corn, cattle and soybeans from Kentucky. They were particularly interested in introducing breeder stock cattle on an experimental basis to see how different breeds adapted to the local climate.

We think that these small purchases are only a beginning. The potential for exporting American agricultural products in Asia and all over the world, we believe, can be greatly improved with marketing and financial assistance.

Many small producers do not have the financial ability to market overseas without some backing, for example, from either the state or federal governments. Your committee might want to explore establishing a system of loan guarantees in SBA or some other federal agency which would enable small exporters of agricultural products to break into these overseas markets.

My understanding is that the state of Illinois has a very innovative and creative program to assist agricultural exporters in that state. We recommend that your committee look into the possibility of establishing a federal counterpart which could help farmers and other agricultural businesses throughout the nation.

Again, on behalf of the Task Force on Small Business, I want to thank you for this opportunity to express our views and concerns to your committee.

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UNITED STATES CONGRESS
HOUSE OF REPRESENTATIVES

COMMITTEE ON SMALL BUSINESS
HON. JOHN J. LAFALCE, NEW YORK, CHAIRMAN

MAY 20, 1988

CONGRESSIONAL HEARING: INTERNATIONAL BUSINESS OPPORTUNITIES
FOR KENTUCKY AND MINORITY BUSINESSES

WELCOME TO THE CITY OF LOUISVILLE AND THANK YOU:

HON. MR. JOHN LAFALCE, CHAIRMAN
HON. MR. RON MAZZOLI
MEMBERS OF THE COMMITTEE PRESENT

WE NOTE WITH INTEREST THIS DISTINGUISHED COMMITTEE IS WELL REPRESENTED WITH NO LESS THAN THREE ( 3 ) MEMBERS OF THE CONGRESSIONAL BLACK CAUCUS. THE HONORABLE MISTERS GUS SAVAGE, JOHN CONYERS, JR., AND KWEISI MFUME HAVE PLAYED AN IMPORTANT ROLE IN ASSISTING MUNICIPAL AND STATE LEGISLATORS IN MEETING THE TREMENDOUS CHALLENGES FACING OUR COMMUNITIES ACROSS THE WIDTH AND BREADTH OF THIS NATION. THEIR LEADERSHIP AND SUPPORT, AND, IF I MAY EDITORIALIZE, THE EFFORTS OF THE ENTIRE CONGRESSIONAL BLACK CAUCUS, IS VITAL TO THE CONTINUED DEVELOPMENT OF BLACK POLITICAL AND ECONOMIC LEADERSHIP IN THE UNITED STATES.

ONE CHALLENGE FACING OUR NATION IS TO MAXIMIZE THE ECONOMIC VITALITY AND VIABILITY OF ITS COMMUNITIES. I SPEAK HERE NOT ONLY OF THE VARIED CITIES, TOWNS, VILLAGE COMMUNITIES AND NEIGHBORHOODS FOUND IN EACH STATE OF THE UNION. I SPEAK ALSO OF THE COMMUNITIES OF PEOPLE; NATIVE AMERICANS ON RESERVATIONS, FARMERS THROUGHOUT THE RURAL AREAS OF AMERICA, URBAN AND RURAL BLACKS, HISPANICS, AND ASIANS TO NAME A FEW.

KENTUCKY COMPANIES HAVE BECOME INCREASINGLY SOPHISTICATED IN THE ADVANTAGES AND OPPORTUNITIES FOR INTERNATIONAL TRADE. YET, SMALL BUSINESSES - BE THEY MINORITY OR MAJORITY FIRMS - WILL QUICKLY TELL YOU THERE ARE SERIOUS DISINCENTIVES TO ENTERING INTO THIS POTENTIALLY LUCRATIVE ARENA.

THE MOST PREVALENT OF THESE DISINCENTIVES IS THE OVERWHELMING AMOUNT AND VARIETY OF PAPERWORK INVOLVED. FOR THE SMALL BUSINESSPERSON, PAPERWORK IS TIME AND TIME IS A LUXURY MOST

DO NOT HAVE. MOST SMALL BUSINESSES DO NOT HAVE THE RESOURCES TO TRAIN AND MAINTAIN EMPLOYEES SPECIALIZING IN THIS RELATIVELY NEW ARENA OF INTERNATIONAL TRADE DEVELOPMENT.

YET, THE COMMONWEALTH OF KENTUCKY CAN BE PROUD OF ACCOMPLISHMENTS MADE IN THE INTERNATIONAL BUSINESS FIELD. AS RECENTLY AS EIGHT ( 8 ) YEARS AGO, ACCORDING TO THE KENTUCKY INTERNATIONAL TRADE DIRECTORY, PUBLISHED BY THE STATE DEPARTMENT OF COMMERCE, SOME 12,300 JOBS WERE DIRECTLY RELATED TO THE PRODUCTION OF MANUFACTURED GOODS FOR EXPORT, WITH AN ADDITIONAL 12,200 JOBS INDIRECTLY TIED TO EXPORT SALES. AT THAT TIME, OUR STATE HAD THE HIGHEST PERCENTAGE OF SMALL AND MEDIUM-SIZED FIRMS EXPORTING OF ANY SOUTHERN STATE. FOREIGN TRADE ZONES WERE ESTABLISHED IN LOUISVILLE AND NORTHERN KENTUCKY AND FOREIGN CHARTER FLIGHTS NOW LAND IN NORTHERN KENTUCKY WITHOUT HAVING TO FIRST GO THRU CUSTOMS ELSEWHERE. THESE ADVANTAGES, IN MY OPINION, HAVE YET TO BE COMPLETELY SUCCESSFUL ALTHOUGH WE ARE LEARNING.

PERHAPS OTHER SPEAKERS THIS MORNING WILL BE PREPARED TO OFFER MORE UP TO DATE INFORMATION ON INTERNATIONAL TRADE ACTIVITY IN THE STATE. IF NOT, I WILL BE CONTINUING MY RESEARCH IN THIS AREA AND WILL BE MORE THAN WILLING TO FORWARD MY FINDINGS ON TO THE COMMITTEE.

AS ONE MIGHT EXPECT, THE NUMBERS OF MINORITY BUSINESSES DOING INTERNATIONAL BUSINESS IS MINIMAL AT BEST. OUR OWN CITY-COUNTY ECONOMIC DEVELOPMENT OFFICE HAS NO MINORITY LISTING OF COMPANIES DOING INTERNATIONAL BUSINESS. NEVERTHELESS, THE CHAMBER OF COMMERCE - AND AT THIS POINT, I WOULD LIKE TO THANK MS. BETTY FOX AND MS. PATRICE CLAY FROM THE CHAMBER FOR THEIR VALUABLE ASSISTANCE IN MY RESEARCH - THE CHAMBER OF COMMERCE HAS THREE ( 3 ) LOCAL MINORITY COMPANIES LISTED AS ENGAGED IN INTERNATIONAL BUSINESS. ONE ( 1 ) BLACK COMPANY IN THE STEEL PROCESSING BUSINESS DOES SOME LIMITED BUSINESS WITH AN AFRICAN NATION. TWO ( 2 ) COMPANIES OWNED BY ASIAN AMERICANS ARE IN THE CHEMICALS INDUSTRY AND ONE ( 1 ) OF THESE DOES BUSINESS WITH GERMANY, JAPAN, AND SWITZERLAND.

I BELIEVE INITIATIVES AS THE CARIBBEAN BASIN INITIATIVE, AND SIMILARLY TARGETED BUSINESS DEVELOPMENT AREAS, SHOULD BE CONTINUED. THESE CAN GO FAR IN STIMULATING LOCAL INTEREST IN THE INTERNATIONAL MARKETPLACE. HOWEVER, THIS COMMITTEE WOULD DO WELL TO LOOK CLOSELY AT THE MANNER AND METHODS OF THE FEDERAL EXPORT PROMOTION PROGRAMS AND RELATED SUPPORT AND TECHNICAL SERVICES OFFERED BY THE FEDERAL GOVERNMENT.

PAGE 3
ALDERMAN MEEKS TESTIMONY CONT'D.
CONGRESSIONAL HEARING

I WOULD BE REMISS IF I DID NOT TAKE THE OPPORTUNITY TO SAY TO THE COMMITTEE THAT CONTINUED SUPPORT FOR THE SMALL BUSINESS ADMINISTRATION IS CRITICAL. THE ATTACKS ON THE SBA FROM THE CURRENT ADMINISTRATION HAVE GIVEN SMALL BUSINESS, AND THOSE WHO DEPEND ON THE SERVICES IT PROVIDES, PAUSE TO DOUBT AND QUESTION THE STABILITY AND COMMITMENTS OF THE AGENCY.

IN SUMMATION, LET ME RE-EMPHASIZE SEVERAL POINTS. SUPPORT FOR THE SMALL BUSINESS ADMINISTRATION IS CRITICAL. FIRMS INTERESTED IN DEVELOPING THEIR INTERNATIONAL TRADE CAPABILITIES WILL LOOK FOR SPECIFIC INITIATIVES WHICH WILL BE SUPPORTED BY THE FEDERAL GOVERNMENT. HOWEVER, IT IS IMPORTANT THAT THE MECHANISMS IN PLACE FOR ACCESSING TECHNICAL AND FINANCIAL SUPPORT DO NOT THEMSELVES CREATE A BARRIER BETWEEN THE THE SBA AND THOSE BUSINESSES IN NEED OF ITS SERVICES. LASTLY, AS LOCAL GOVERNMENTS BEGIN TO DEVELOP OFFICES AND DEPARTMENTS GEARED TO ASSIST LOCAL BUSINESSES IN THE INTERNATIONAL TRADE ARENA, IT IS IMPORTANT FOR LOCAL LEGISLATORS TO KNOW WE HAVE REPRESENTATIVES IN WASHINGTON, LIKE YOURSELVES, WHO ARE TRULY IN TOUCH WITH LOCAL GOVERNMENT AND WHO WILL SUPPORT OUR LOCAL NEEDS IN CONGRESS.

THANK YOU FOR YOUR TIME AND WILLINGNESS TO ENGAGE IN THIS IMPORTANT DIALOGUE CONCERNING SMALL BUSINESS AND INTERNATIONAL TRADE DEVELOPMENT.

PRESENTED BY REGINALD K. MEEKS
ELEVENTH WARD ALDERMAN
LOUISVILLE, KY

LOUISVILLE/JEFFERSON CO.
OFFICE FOR
ECONOMIC DEVELOPMENT

HOWARD A. GUDELL, Executive Director

TESTIMONY BY HOWARD A. GUDELL

EXECUTIVE DIRECTOR

LOUISVILLE/JEFFERSON COUNTY OFFICE FOR ECONOMIC DEVELOPMENT

Before the

COMMITTEE ON SMALL BUSINESS

U.S. HOUSE OF REPRESENTATIVES

May 20, 1988

JERRY E. ABRAMSON
Mayor

HARVEY I. SLOANE, M.D.
County Judge/Executive

515 West Market Street, Suite 650 • Louisville, Kentucky 40202-3319 • (502) 625-3051 • Telex 9102507444 • Fax (502) 625-3026 • An Equal Opportunity Employer

I would like to thank Congressman LaFalce, Congressman Mazzoli, and the members of the Committee on Small Business for inviting me to testify today at this field hearing on "Small Business Development, and Export Opportunities for Small Business."

I have been the executive director for the joint, Louisville/Jefferson County Office for Economic Development for shortly over one year. I believe the opportunities are great in making this community a major economic force in the midwest and southeast before the year 2000. I thank Mayor Abramson and Judge/Executive Harvey Sloane for the opportunity to help in attaining their economic development goals.

The Office for Economic Development (OED) works to promote solid economic growth and development in the community by acting as a catalyst for a wide range of economic development activities. The mission of OED is to take a leading governmental role in business development, business retention, and real estate development in Louisville and Jefferson County. OED will provide assistance to other economic development organizations in their business attraction activities, and be responsible for promoting a coordinated leadership strategy for the city and county in the area of economic development.

While our efforts focus on local business retention and expansion, our office has recently established and is implementing programs to provide local companies new opportunities to grow and expand their markets. We understand economic development does not exist in a vacuum.

We often find that major Louisville/Jefferson County businesses are ultimately controlled by out-of-state, and even foreign management. For example, GE's Appliance Park, Porter Paint Co., and Tube Turns are excellent examples of large local employers with headquarters, or parent companies, located elsewhere in the United States or overseas.

Exporting provides companies with new opportunities to grow. With the recent changes in the value of the dollar abroad, and with the possibility of our federal government enacting trade sanctions against some of our major importing nations, the time is right for local governments to aggressively pursue exporting opportunities for its businesses community.

For smaller to medium size companies, the idea of exporting their products may not have been given serious consideration and, subsequently, decisions regarding entering the export market have not been made. Decisions against considering overseas markets can be based on a variety of factors currently facing small to medium businesses:

- Gaining access to capital to establish an export program
- Lack of incentives available to encourage the company to export
- "Geographic" limitations of the community where the company is located
- Lack of promotional opportunities available for the company to international investors and businesses
- Lack of technical assistance provided by local government
- Limited funding for U.S. agencies involved in promoting export

However, for businesses located in Louisville and Jefferson County, all of these obstacles are being addressed, and the foundation has been established to make Louisville/Jefferson County a major exporting U.S. community.

One of the newest developments at OED is the establishment of the International Commerce and Trade Section within the Business Development and Services Division. This new section was created to: 1) assist local companies export their products, 2)attract foreign investment to Louisville and Jefferson County, and 3) promote international tourism. The OED provides incentives, technical assistance, and other programs services to carry out its international trade program.

In addition, we will coordinate existing export opportunities in Louisville/Jefferson County and implement an overall export/trade strategy for the business community. The programs coordinated through the Commerce and International Trade Section include:

THE EXPORT-IMPORT BANK OF THE U.S.

Louisville was selected by the Eximbank as a model city for pioneering a program to aid local area businesses in export opportunities.

The Eximbank is the U.S. Government agency that facilitates the export financing of U.S. goods and services. The OED was selected by the Bank to receive expertise and technical assistance in helping develop and implement a local international trade program. The program is a cooperative effort between the Export-Import Bank of the United States and the Louisville/Jefferson County Office for Economic Development.

This coordinated effort represents a milestone in our economic development efforts and presents exciting opportunities for close coordination between the two agencies.

The programs being established broaden the export opportunities for Louisville companies. In addition, the relationship with Eximbank will help attract investment and joint ventures, and promote Louisville's tourism and convention industries.

To assist Louisville/Jefferson County in launching its international trade program, Eximbank will provided the following:

1. Assignment of a skilled Officer of the Foreign Credit Insurance Association to OED on the basis of approximately 1 day per week.

2. Assignment of a Desk Officer from Eximbank's Marketing Division to coordinate its participation in OED's trade program.

3. Seminars, and specialized training at Eximbank in Washington, and the Foreign Credit Insurance Association Office in New York were provided for OED staff.

The Eximbank program allows OED to provide direction to financial assistance programs for local companies desiring to export. In addition, Eximbank provides financing to foreign buyers of local goods, risk insurance on foreign letters of credit, guarantees on loans made through local lending institutions for export activities.

The Eximbank international trade program is expected to tie in closely with the Louisville Enterprise Zone program, Jefferson County River Port's Foreign Trade Zone, other financial incentives, and OED business development and outreach programs.

SHARED FOREIGN SALES CORPORATIONS (SFSCs)

Targeted to certified companies located in The Louisville Enterprise Zone, SFSC's allow local exporters to realize a 15% federal tax exemption on profits from export products. Adoption of a Shared FSC program enhances the state and local incentives already available to operators located in the enterprise zone. The program is coordinated between OED and the American Association of Enterprise Zones (AAEZ). Louisville/Jefferson County was the first community in the U.S. to enter into the agreement with AAEZ.

SFSCs are foreign corporations established in one of four qualifying U. S. possessions or a qualifying foreign country. When utilized to export goods, including coal and agricultural products, it yields a Federal income tax benefit to the exporter. An SFSC is "shared" by 25 or fewer unrelated exporters, so as to dramatically reduce costs and increase the tax benefit. The SFSC does not get involved in any participating exporter's business.

A sponsored SFSC means the exporter is relieved of the burden of researching and understanding all the complexities of setting up such a corporation. The exporter joins the shared FSC, pays a portion of its operating costs, and obtains the tax benefit. The city and county provided the start-up costs totaling $5,000.

Louisville is one of the first jurisdictions nationally to implement this new and innovative approach to attract exporters to the Louisville Enterprise Zone. FSCs expands our export base which will leads to increased business activity and jobs.

Louisville has excellent potential for developing its exports. The FSC program will help local exporters reach their potential while, at the same time, promote the Louisville Enterprise Zone.

FOREIGN TRADE ZONE (FTZ)

Located at the Jefferson County RiverPort, which is designated as a U.S. Custom Port of Entry, the FTZ offers customs clearance. Imports may be stored without full customs formalities; U.S. quota restrictions, duty, and bonding, are waived in the zone; duty and certain taxes are not paid until goods leave the zone; and, if the goods are exported, there are no U.S. Customs duty or various revenue tax payments.

Allowing duty free entry in a FTZ provides a significant advantage for manufacturing or assembling goods for re-export. These provisions, made available to cities with FTZs from their states and the federal government, greatly enhance opportunities to attract foreign investors by saving delivery time, thus increasing the return on investments.

OED INTERNATIONAL TRADE MISSIONS

The Commerce and Trade Section coordinates the planning and follow-up for OED's international trade missions. Besides OED representatives, trade missions have also involved participation by the Mayor, the Jefferson County Judge/Executive, and Louisville Chamber of Commerce officials.

International trade missions provide an excellent opportunity to showcase an area's exports, tourism potential, and opportunities for reverse investment. An understanding of the local market is essential prior to participating in international trade shows. Once a full market analysis is made on local area businesses and determining what local products have export potential, a determination is then made as to which international trades shows will best suit our needs in showcasing our community and its businesses. Finally, those businesses we belive can benefit from participating in the show, i.e. having the highest export potential, are contacted and encouraged to be represented by OED.

The trade show allows exposure for Louisville, its people and businesses, and quality of life. Familiarizing people, especially foreigners, to what Louisville has to offer to international businesses leaves a lasting impression and provides new prospects. The shows also focus on Louisville exporters who have requested our assistance in marketing them and their products. On average, OED will represent 5-12 companies during these trade shows.

In November, 1987, OED participated in the U.S. Products Show in Seoul, Korea. One-on-one meetings were also held in Hong Kong and Japan. OED also participated in Great April Fair in Milan, Italy in April, 1988. During this mission, meetings were held in Germany and France.

DIRECT TECHNICAL ASSISTANCE

OED staff provides assistance to local companies seeking to export their products. The office provides training, financial assistance, marketing, incentives, telecommunications (telex and telefax), freight forwarding, and referral services to local companies looking to export their products.

The office has also established a seminar series called "Doing Business With _____." Two seminars have been held: "Doing Business with Korea" and "Doing Business with Canada." More seminars are scheduled.

## Conclusion

In closing, I would like to make a few recommendations to this committee that will greatly assist our export efforts at the local level. First, I'd like to encourage the continued support of Congress for the Export-Import Bank of the U.S. This agency has been very helpful in providing technical assistance and support to our overall international trade program.

Second, I recommend increased funding for the International Trade Administration. The Kentucky office, headed by Mr. Don Henderson, has worked closely with my office. They have been very helpful in providing support and expertise to our office's interantional trade and export programs. However, with three staff persons to serve the entire Commonwealth, their efforts are limited. Therefore, increased funding is necessary to increase their staff to meet the demands of local exporters and to promote our international trade activities.

We appreciate the current level of support and assistance provided by the federal government through its programs. Many of our success stories have occurred due to federal funding of these projects and programs.

The increasing frequency of small businesses entering the export market should be welcomed by the federal government. Giving the current situation of the trade deficit, and some of the radical remedies suggested to alleviate it, small business exporters provide a steady and growing solution to this problem. I encourage Congress to look favorably on funding programs at the local level which support this movement.

Thank you.

U.S. Small Business Administration

SBA

STATEMENT OF

WILLIAM E. FEDERHOFER
DISTRICT DIRECTOR
SMALL BUSINESS ADMINISTRATION

BEFORE THE

COMMITTEE ON SMALL BUSINESS

U.S. HOUSE OF REPRESENTATIVES

MAY 20, 19[redacted]

I WELCOME THE OPPORTUNITY TO SPEAK BEFORE YOU TODAY CONCERNING THE SMALL BUSINESS ADMINISTRATION'S PROMOTION OF SMALL BUSINESS PARTICIPATION IN THE EXPORT MARKET. AS YOU MAY KNOW, JAMES ABDNOR, THE ADMINISTRATOR OF SBA, HAS PLACED HIGH PRIORITY ON INTERNATIONAL TRADE ASSISTANCE.

IN EXPORT, AS IN THE DOMESTIC SECTOR, SMALL BUSINESS INVOLVEMENT IS OF CRUCIAL IMPORTANCE TO OUR NATION'S ECONOMIC HEALTH. RECENT ARTICLES IN BUSINESS WEEK AND INC. MAGAZINES HAVE HIGHLIGHTED THAT IMPORTANCE. THE RISE IN EXPORT LEVELS OVER THE PAST [illegible] MONTHS HAS BEEN LARGELY FUELED BY INCREASING EXPORTS FROM THE SMALL BUSINESS COMMUNITY. WE KNOW THAT WITHIN KENTUCKY THE POTENTIAL EXISTS FOR GREATLY INCREASED EXPORTS; BUT TO REALIZE THAT POTENTIAL, KENTUCKY'S SMALL BUSINESSES MUST BECOME MORE ACTIVE IN THE INTERNATIONAL MARKETPLACE. TO DO SO IS GOOD FOR THE BUSINESSES AND GOOD FOR OUR ECONOMY.

AT SBA IT IS OUR RESPONSIBILITY:

1. TO INCREASE SMALL BUSINESS AWARENESS OF EXPORT MARKETS AS A LOGICAL EXTENSION OF DOMESTIC MARKETING;
2. TO PROVIDE TRAINING AND COUNSELING IN ORDER TO HELP SMALL BUSINESS LOCATE, ASSESS, AND ENTER INTERNATIONAL MARKETS; AND

3. To facilitate financing of export activity through the financial programs of the agency — in particular, through the Export Revolving Line of Credit.

To accomplish these objectives, SBA, in close cooperation with many other international resources, sponsors and supports a variety of training programs and seminars. These programs are expressly designed to draw small business attention to export markets and to provide technical information on the markets and on the marketing processes themselves. These training activities are further supported by the counseling efforts of SCORE and the SBDC statewide. These organizations afford the client the opportunity for one-on-one discussion with counselors who can assist or who can make appropriate referral to - and follow-up with the primary export marketing assistance agencies, such as the U. S. Department of Commerce, TASKIT and other state and local organizations.

Another effort of the Agency which we think quite effective is the publication the Exporters Guide to Federal Resources for Small Business. The Exporters Guide, a cooperative effort of the Interagency Task Force on International Trade, summarizes the various federal programs for international trade, and provides listings of offices complete with contacts and phone numbers. It has proved very popular and is now in a second printing. The

GUIDE WILL BE SUPPLEMENTED BY A GUIDE TO INTERNATIONAL RESOURCES FOR KENTUCKY. CURRENTLY IN DRAFT FORM, THE KENTUCKY GUIDE WILL BE ON THE SAME FORMAT AS THE FEDERAL GUIDE AND WILL PROVIDE ACCESS NOT ONLY TO STATE AND LOCAL AGENCIES, BUT ALSO TO OTHER ASSISTANCE PROVIDERS SUCH AS WORLD TRADE ASSOCIATIONS, CHAMBERS OF COMMERCE AND PRIVATE SECTOR FIRMS WHICH SERVICE THE INTERNATIONAL BUSINESS COMMUNITY.

IN ADDITION, THE AGENCY PROMOTES AMONG THE PUBLIC AND AMONG FINANCIAL INSTITUTIONS ITS VARIOUS LOAN AND GUARANTY PROGRAMS AS VEHICLES FOR FINANCIAL ASSISTANCE. SUCH FINANCIAL ASSISTANCE IS NOT LIMITED TO THE EXPORT REVOLVING LINE OF CREDIT (WHICH PROVIDES SHORT-TERM WORKING CAPITAL IN SUPPORT OF EXPORT SALES) BUT RATHER ENCOMPASSES THE ENTIRE RANGE OF OUR FINANCIAL PROGRAMS FOR PROVISION OF WORKING CAPITAL, PLANT EXPANSION, FIXED ASSET ACQUISITION, ETC. IN SUPPORT OF A COMPANY'S INTERNATIONAL SALES.

IN CONCLUSION THE PROSPECT FOR INCREASED EXPORTS FROM KENTUCKY IS GOOD. THE DECLINING DOLLAR, THE INCREASED "PRESS" GIVEN INTERNATIONAL TRADE, AND THE EMPHASIS PLACED ON EXPORT BY FEDERAL, STATE AND LOCAL GOVERNMENTS HAVE INCREASED PUBLIC AND PRIVATE SECTOR CONSCIOUSNESS OF INTERNATIONAL TRADE. IT IS OUR TASK -- AND THAT OF OTHERS WHO WILL TESTIFY TODAY -- TO HELP KENTUCKY'S FIRMS TRANSLATE THAT POTENTIAL INTO REALITY.

THANK YOU.

# BUSINESS AMERICA

SPECIAL EDITION

THE MAGAZINE OF INTERNATIONAL TRADE

## IT MAKES GOOD BUSINESS SENSE

A Publication of the U.S. Department of Commerce

# TRADE WATCH

● **U.S. Economy**—Advance estimates of retail sales for February indicate a 0.6 percent rise from January and a 3.1 percent rise over February 1987 ... Housing starts were at an annual rate of 1.5 million in February, 9 percent above the January rate but 17 percent below February 1987 ... Total business sales in January were virtually the same as in December and 8.9 percent above January 1987; business inventories rose 0.4 percent over December and were 7.1 percent above January 1987 ... New orders for manufactured durable goods in February declined 1.8 percent, following a 1.8 percent decline in January and a 4.2 percent increase in December ... Real GNP increased 4.8 percent in the fourth quarter of 1987, according to revised estimates; that compares with a 4.3 percent rise in the third quarter.

● **January Trade**—Exports of $22.3 billion and imports of $34.8 billion resulted in a January trade deficit of $12.4 billion, compared to a $12.2 billion deficit in December. Secretary of Commerce C. William Verity said the figures confirm "the improving trend" in the nation's trade accounts. He attributed the small December to January increase in the trade deficit to seasonal factors, noting that exports have dropped in January every year during the 1980s. Compared to early 1987, exports were up about 20 percent in real terms, while imports were flat.

● **Balance of Payments**—The U.S. current-account balance—broadest measure of U.S. international transactions—decreased to $39 billion in the fourth quarter of 1987 from $43.4 billion in the third quarter. For all of 1987, the U.S. current account was in deficit by $160.7 billion, compared with a deficit of $141.4 billion in 1986. The statistics reflect the balance-of-payments effects of international transactions, including merchandise and services trade, foreign aid payments, and individuals' gifts and remittances.

● **Trade Bill**—House and Senate conferees, seeking agreement on a final version of the omnibus trade bill (H.R. 3) by April 1, continued to negotiate with each other and with the Reagan Administration. The conferees are trying to adjust differences in House and Senate trade bills passed last year and also to meet Administration objections to parts of the legislation. President Reagan said March 12 he was encouraged by the trade bill negotiations, noting that a number of "troublesome" provisions have been eliminated. However, he said other objectionable items must be removed to assure he would sign the bill.

● **ITA Japan Unit**—The Commerce Department, recognizing the importance of U.S.-Japanese trade, has given its unit of Japanese specialists greater prominence in the International Trade Administration. The Office of Japan, formerly part of the East Asia and Pacific cluster of offices, will now be a separate entity with its own Deputy Assistant Secretary. Maureen Smith, director of the Office of Japan since 1981, will assume the Deputy Assistant Secretary post. Smith, with the Commerce Department since 1966, previously was policy manager for the East Asia region. In 1972-74, she was part of a Departmental team that worked out implementation of trade agreements with the Soviet Union, Poland, and other centrally planned economies. As a Presidential Executive Interchange participant in 1976-77, she was assigned to General Electric.

● **U.S.-Soviet Trade**—Secretary of Commerce C. William Verity will lead the U.S. delegation to the 10th session of the Joint U.S.-U.S.S.R. Commercial Commission in Moscow the week of April 11. In a joint statement issued at the conclusion of the December U.S.-Soviet Summit, President Reagan and General Secretary Gorbachev instructed the Joint Commercial Commission to meet to develop concrete proposals to expand trade and economic relations. While in Moscow, Verity will meet with Gorbachev and address the annual meeting of the U.S.-U.S.S.R. Trade and Economic Council, an organization of U.S. companies and Soviet organizations interested in trade.

● **Uruguay Round**—A mid-term review of General Agreement on Tariffs and Trade (GATT) negotiations will be conducted the week of Dec. 5 in Montreal. A Trade Negotiating Committee (TNC) meeting at the ministerial level will discuss progress and early agreements that may have been reached at that point in any of the negotiations. The Round, which began a year ago, is scheduled to conclude in 1991.

● **Philippines**—Three senior officials of the Philippine Government, accompanied by a delegation of private businessmen, will visit four U.S. cities in April to promote investment in the Philippines. The mission, whose sponsors include the U.S. Department of Commerce, will visit New York April 11-12; St. Louis April 14-15; Dallas April 18-19; and San Jose, Calif., April 21-22. For information, call Ernest Bower, U.S.-ASEAN Center for Technology Exchange, at (202) 955-8460; or U.S.-ASEAN Center at (212) 826-1228.

● **U.S.-Soviet Grain Agreement**—The United States and the Soviet Union completed the first round of negotiations on a long-term grain agreement in Washington, D.C., March 19. No deadline has been set for completion of the agreement. A statement, issued by the U.S. Trade Representative's Office, said both countries would like to come to mutual terms over the next several months.

# BUSINESS AMERICA

THE MAGAZINE OF INTERNATIONAL TRADE

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Secretary of Commerce C. William Verity explains why **NOW** is the right time to **EXPORT**. The Secretary's article is followed by President Reagan's comments as he launched **EXPORT NOW** at the White House on Feb. 24, and a letter to business from campaign co-chairmen Van Smith and Lee Morgan.

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*President Reagan launches the **EXPORT NOW** campaign at a White House ceremony on Feb. 24.*

# Why EXPORT NOW?

*By C. William Verity*
*Secretary of Commerce*

**'American business leaders have joined with government through *EXPORT NOW* to spread the word ... about the benefits of exporting.'**

Too often, the suggestion to export sends small and medium-size businesses running for cover. What these companies don't realize is that exporting makes good business sense. It is both practical and profitable—not only for giant corporations, but for small and mid-size firms which may have more limited resources. In fact, almost any U.S. firm with a good product has real export potential.

This special issue of *Business America* is intended to inform the business community why now is the right time to export and to increase awareness of the many export assistance programs and services provided by the government and the private sector.

This is also the focus for "**EXPORT NOW**"—a hard-hitting campaign launched by President Reagan to encourage U.S. firms to take advantage of developments in the global economic climate that make exporting more profitable. As the primary federal agency concerned with export expansion, the U.S. Department of Commerce has the lead in promoting this campaign. American business leaders have joined with government through **EXPORT NOW** to spread the word to businesses across the country about the benefits of exporting.

A number of circumstances have come together in recent months that have brought about a decidedly improved climate for exporting. The dollar exchange rate is down some 50 percent against several European currencies and the Japanese yen since early 1985—a drop that dramatically improves the profit potential of exporting once again (see chart). Current exporters are likely to find that additional product lines have become competitive in old and new foreign markets. Many companies that have not been exporting undoubtedly will now find it highly profitable.

Global economic conditions and prospects support expectations that the dollar will remain at competitive levels for a long time. U.S. firms need to move now to take advantage of this opportunity to realize their export sales and profit potential, and establish foreign market presence.

American business has recovered from the shock of imports that swept the country in recent years. Companies have slimmed down and become more efficient in order to meet the competition. They are emphasizing greater quality and adding to the attractiveness of American products to foreign buyers. This renewed attention to quality has helped them regain increased U.S. market shares from foreign competitors.

Our firms should know about other significant factors that make exporting an excellent way to expand sales and profits.

1. The world market is about four times larger than the U.S. domestic market. That translates into great potential for increased sales. Furthermore, it is estimated that 25,000 jobs are created for every $1 billion in U.S. exports.

2. Some 95 percent of the world's population is located outside the United States and global population is increasing about 70 percent faster each year than the U.S. population. The potential sales growth made possible by this difference in growth rates is self-evident.

3. Exports have traditionally been one of the biggest sources of sales growth for U.S. firms. This is because trade among countries has expanded faster than internal market growth, with the increase in international economic integration. Since 1960, world trade grew three times faster than world economic growth. This trend is expected to continue.

4. If the large trade surplus countries (Japan, Germany, and East Asian NICs) reorient toward domestic led-growth and away from dependence on their exports, it will open additional market opportunities abroad.

Recognizing the window of opportunity now open for American exports is only the first step. U.S. companies interested in seizing this moment to start an exporting venture need to aggressively pursue overseas markets.

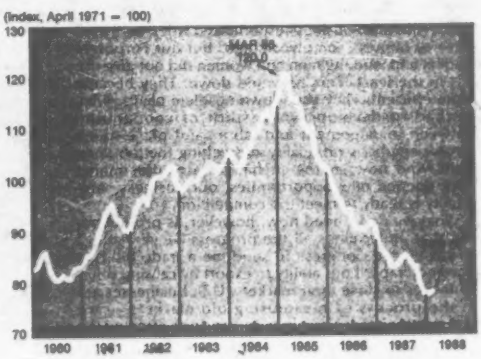
Many sources of export assistance are available. At the Commerce Department alone, thousands of trade specialists in Washington, in 67 cities across the United States and in 126 countries, stand ready to help. They can guide the new-to-export company or help the seasoned exporter who needs sophisticated market research. The services range from industry and country-specific information to the nuts and bolts of finding an agent or distributor to sell a U.S. product overseas. Many state, local, and private organizations also have instituted export expansion programs. The following articles describe many of these export assistance programs and services.

*Commerce Secretary Verity is spearheading the **EXPORT NOW** campaign.*

Now is the time to take advantage of the global opportunities. The payoff from greater exporting will be increased profits, a strengthened economy, and more jobs for American workers.

**'Now is the time to take advantage of the global opportunities.'**

VALUE OF U.S. DOLLAR VIS-A-VIS MAJOR CURRENCIES
1980 – 1988



# President Reagan Launches EXPORT NOW

**President Reagan kicked off the EXPORT NOW campaign with the following remarks at a White House ceremony on Feb. 24**

I couldn't be more pleased to join you today to launch the **EXPORT NOW** campaign. America loves a winner, and I think this campaign exemplifies the winning spirit of American enterprise and competition. Although the doomsayers haven't grasped the magnitude of what is happening in international commerce, our manufacturers, farmers, and world traders are already in the process of regaining America's share of world markets.

Just a single figure tells the story. In the last quarter of 1987, our exports in real terms — that's the volume of goods after adjusting for any change in prices — were up 20 percent from the same period a year earlier. That's over five times the growth in our domestic economy. Who says we've lost the spirit of the Yankee trader?

We're in the midst of a great trade turnabout. Why? Well, there are several parts to the answer, as you all know. Obviously, the fact that the dollar's exchange rate is now at a far more realistic level is of great significance. One of the primary goals of **EXPORT NOW** is to drive home the point to middle-sized and smaller businesses that new opportunities are emerging because of the adjustment in the value of the dollar. In short, exporting, for American businesses, large and small, is now a profitable option.

At the current exchange rates, many American companies can now quote a lower price to their customers in Hamburg or Antwerp or Osaka than their competitors, and still make a higher profit than on sales in our own domestic market. Of course, quoting a good price is only half the battle.

Quality products and good service are also part of the trade equation. And in the last few years, American industry has been going through an unprecedented period of renovation, computerization, and modernization. The commitment behind the dramatic changes I'm talking about resulted from the rude shock American business experienced when hit by the wave of imports some years ago. But our corporate leaders and working men and women did not give up, not in the least. They slimmed down. They became more efficient. They shut down obsolete plants. They worked to develop a new spirit of cooperation between management and labor, and place much greater emphasis on quality and getting the job done right. And now, as the exchange rate adjustments have opened new opportunities, our business community is ready to meet the competition.

What we don't need now, however, is protectionism that undermines all the progress we've made. I strongly urge Congress to send me a trade bill that does not imperil our ability to export by causing other countries to close their markets. U.S. businesses are in the process of recapturing old markets — we shouldn't shoot ourselves in the foot after we've worked so hard and are in a position to win the race. There are provisions in the legislation currently in conference that encourage exports and we don't want to lose those, but there are also some totally objectionable provisions — including measures that are GATT illegal and reduce U.S. competitiveness. We ask for your support to ensure that we don't end up with an economy-killing protectionist bill.

I visited a number of plants last year in various parts of the United States, and I must say I was deeply impressed by what I saw — whether it was at Harley-Davidson in Pennsylvania, Dictaphone in Florida, Broan in Wisconsin, or Somerset Technologies in New Jersey. The working people of this country are ready and willing to compete head-on. And I happen to believe that on a level playing field they can out-produce and outdo anyone, anywhere. Again, America's greatest asset is the character of our own people.

I challenge anyone who says the United States is in some kind of decline to just look at the current export figures. We're beginning to beat our major competitors, both in third markets as well as in exporting to them directly. Let me give you just a couple of examples of real world examples.

Back in 1973, when American auto manufacturers needed help in complying with the Clean Air Act, Corning Glass Works developed the catalytic converter. For three years, Corning dominated that market. But by 1977, Japanese makers of catalytic converters had come up with a superior and less expensive product. Detroit auto makers gave Corning a choice — meet the competition head-on within 12 months or lose their business. Through union cooperation and worker participation from the factory floor to the boardroom, Corning did just that — it came up with a better and more competitively-priced converter. Corning not only kept Detroit's business, but is now making inroads in the Japanese market.

Argus Fire Control, Inc., doused all the fires it could find in America. Dick Thomas, President of the firm, said, "I figured I either had to come up with another product or find another market." Well, today, Argus sells in 15 foreign countries.

Change is the order of the day for a dynamic and expanding economy. Today, new opportunities are opening as the people of the free world are brought closer together by technology and the elimination of political barriers to commerce. A great milestone in this evolutionary process will be the adoption of the U.S.-Canada Free Trade Agreement. Our own businesses — big and small — need to be ready for the expanding horizons that will result from this historic agreement.

Bill, the **EXPORT NOW** program has come along at exactly the right time, and I'm delighted to support this initiative. The conditions are right. We're already off to a great beginning in export growth. And now let's show the world what we can do.

VAN SMITH
Co-Chairman
EXPORT NOW
Chairman
Ontario Corporation

# EXPORT NOW

LEE MORGAN
Co-Chairman
EXPORT NOW
Chairman, Emeritus
Caterpillar Corporation

## *It Makes Good Business Sense*

**Dear Business Executive:**

We have joined in an effort spearheaded by President Reagan and Commerce Secretary Bill Verity called EXPORT NOW to seize a new opportunity to improve the Nation's trade balance. It is a partnership/campaign between the private sector and the U.S. Department of Commerce to get the message out to new and former exporters that conditions have changed in the foreign trade field and there are profits to be made.

EXPORT NOW is calling upon key executives of companies that have been successful exporters to help tell about the advantages of moving now to capitalize on a series of favorable circumstances. Foreign exchange rates have come down; American business has learned a lot about trimming itself down to "fighting weight"; our companies have made their products more attractive to foreign buyers; and we know a lot more about being competitive here at home.

In the next several months EXPORT NOW will be organizing speaking opportunities all over the country to get out the positive word about exporting. We hope you will attend an EXPORT NOW session, offer your services as a spokesperson, and share your success stories with the rest of the business community. If you have already signed up, won't you consider broadening your commitment of time and services?

This is an opportunity to serve America and make it more competitive. We hope you will accept our invitation to be a partner in EXPORT NOW. If you would like to volunteer to help, please contact EXPORT NOW, 1331 Pennsylvania Avenue, N.W., Suite 1500, North Lobby, Washington, D.C. 20004-1703, (202/637-3077).

# EXPORT NOW Roadmap to Export Services

It's a crime most people don't realize that they have this service available to them," a Rockford, Ill., business executive told *Business America*. He was talking about the export assistance programs of the U.S. Department of Commerce, mostly in its International Trade Administration (ITA).

To encourage firms to take advantage of the improved climate for exporting and throw a spotlight on Commerce Department programs and export services elsewhere in the U.S. Government, President Reagan and Secretary of Commerce C. William Verity launched the EXPORT NOW campaign Feb. 24 at the White House. An important feature of the campaign will be this special issue of *Business America*, providing a roadmap to guide prospective exporters toward people in the government who can help them obtain export know-how and information about overseas markets.

State and local governments also offer an increasing array of export services. (See page 14 for telephone numbers of state export offices.)

## International Trade Administration

What is the first stop a U.S. company should make to take advantage of government export programs?

Answer: the nearest Commerce Department (ITA) district office. Through the district office—part of ITA's U.S and Foreign Commercial Service (US&FCS) network—a company has access to all assistance available in the Commerce Department: practical information about overseas market opportunities, developed by commercial officers abroad and by industry and country desk officers in Washington, D.C. The district offices also can direct companies toward other government and private sector export services.

### The ITA District Offices

Forty-eight ITA district offices and 19 branch offices in cities throughout the United States and in Puerto Rico provide information and professional export counseling to business people. Each office is headed by a director, supported by trade specialists and other staff. These professionals can help a company's decision makers gain a basic understanding of profitable opportunities in exporting and assist them in evaluating the company's market potential overseas.

Each district office can give information about:

- Trade and investment opportunities abroad
- Foreign markets for U.S. products and services
- Services to locate and evaluate overseas buyers and representatives
- Financing aid for exporters
- International trade exhibitions
- Export documentation requirements
- Foreign economic statistics
- U.S. export licensing and foreign nation import requirements
- Export seminars and conferences

Most district offices maintain an extensive business library containing the Department's latest reports.

The district offices work closely with 51 District Export Councils (DECs), comprised of about 1,700 business and trade experts who help U.S. firms enter the export field. (See article on DECs on page 34.)

| **Headquarters** | **(202) 377-6777** |
|---|---|
| Caribbean Basin Business Information Center | (202) 377-2527 |
| Domestic Operations | (202) 377-4767 |
| Export Promotion Services | |
| Foreign Market Analysis and Contact Programs | (202) 377-1468 |
| Trade Event Programs | (202) 377-4231 |
| Foreign Operations | (202) 377-1599 |
| Washington, D.C., Branch Office | (202) 377-3181 |
| **District, Branch Offices** | |
| Alabama (Birmingham) | (205) 731-1331 |
| Alaska (Anchorage) | (907) 271-5041 |
| Arizona (Phoenix) | (602) 261-3285 |
| Arkansas (Little Rock) | (501) 378-5794 |
| California (Los Angeles) | (213) 209-6707 |
| California (Santa Ana) | (714) 836-2461 |
| California (San Diego) | (619) 557-5395 |
| California (San Francisco) | (415) 556-5860 |
| Colorado (Denver) | (303) 844-3246 |
| Connecticut (Hartford) | (203) 240-3530 |
| Florida (Miami) | (305) 536-5267 |
| Florida (Clearwater) | (813) 461-0011 |
| Florida (Jacksonville) | (904) 791-2796 |
| Florida (Orlando) | (305) 425-1234 |
| Florida (Tallahassee) | (904) 488-6469 |
| Georgia (Atlanta) | (404) 347-7000 |
| Georgia (Savannah) | (912) 944-4204 |
| Hawaii (Honolulu) | (808) 541-1782 |
| Idaho (Boise) | (208) 334-2470 |
| Illinois (Chicago) | (312) 353-4450 |
| Illinois (Palatine) | (312) 397-3000 ext. 532 |
| Illinois (Rockford) | (815) 987-8123 |
| Indiana (Indianapolis) | (317) 269-6214 |
| Iowa (Des Moines) | (515) 284-4222 |
| Kansas (Wichita) | (316) 269-6160 |
| Kentucky (Louisville) | (502) 582-5066 |
| Louisiana (New Orleans) | (504) 589-6546 |
| Maine (Augusta) | (207) 622-8249 |
| Maryland (Baltimore) | (301) 962-3560 |
| Maryland (Rockville) | (301) 251-2345 |
| Massachusetts (Boston) | (617) 565-8563 |
| Michigan (Detroit) | (313) 226-3650 |
| Michigan (Grand Rapids) | (616) 456-2411 |
| Minnesota (Minneapolis) | (612) 348-1638 |
| Mississippi (Jackson) | (601) 965-4388 |
| Missouri (Kansas City) | (816) 374-3141 |
| Missouri (St. Louis) | (314) 425-3302 |
| Nebraska (Omaha) | (402) 221-3664 |
| Nevada (Reno) | (702) 784-5203 |
| New Jersey (Trenton) | (609) 989-2100 |
| New Mexico (Albuquerque) | (505) 766-2386 |
| New York (Buffalo) | (716) 846-4191 |
| New York (New York) | (212) 264-0634 |
| New York (Rochester) | (716) 263-6480 |
| North Carolina (Greensboro) | (919) 378-5345 |
| Ohio (Cincinnati) | (513) 684-2944 |
| Ohio (Cleveland) | (216) 522-4750 |
| Oklahoma (Oklahoma City) | (405) 231-5302 |
| Oklahoma (Tulsa) | (918) 581-7650 |
| Oregon (Portland) | (503) 221-3001 |
| Pennsylvania (Philadelphia) | (215) 597-2850 |
| Pennsylvania (Pittsburgh) | (412) 644-2850 |
| Puerto Rico (San Juan) | (809) 753-4555 |
| Rhode Island (Providence) | (401) 528-5104 ext. 22 |
| South Carolina (Columbia) | (803) 765-5345 |
| South Carolina (Charleston) | (803) 724-4361 |
| Tennessee (Memphis) | (901) 222-4137 |
| Tennessee (Nashville) | (615) 736-5161 |
| Texas (Austin) | (512) 472-5059 |
| Texas (Dallas) | (214) 767-0542 |
| Texas (Houston) | (713) 229-2578 |
| Utah (Salt Lake City) | (801) 524-5116 |
| Virginia (Richmond) | (804) 771-2246 |
| Washington, D.C. | (202) 377-3181 |
| Washington (Seattle) | (206) 442-5616 |
| Washington (Spokane) | (509) 456-4557 |
| West Virginia (Charleston) | (304) 347-5123 |
| Wisconsin (Milwaukee) | (414) 291-3473 |

## The Overseas Posts

Much of the information about trends and actual trade leads in foreign countries is gathered on-site by the commercial officers of the US&FCS. About half of the approximately 175 American officers working in 66 countries (with 126 offices) have been hired directly from the private sector, many with international trade experience. All understand firsthand the problems encountered by U.S. companies in their efforts to trade abroad. In addition, a valued asset of the US&FCS is a group of about 500 foreign nationals who provide continuity in commercial programs. Commercial service staff provide a range of services to help companies sell overseas. These include background information on foreign companies, agency-finding services, market research, business counseling, assistance in making appointments with key buyers and government officials, and representations on behalf of companies victimized by trade barriers.

The overseas posts seek out trade and investment opportunities that can benefit U.S. firms. This information is distributed to U.S. firms through the Trade Opportunity Program (TOP). Foreign posts also identify specific overseas buyers and representatives for a U.S. exporter through the Agent/Distributor Service (A/DS) and through distribution of product and service announcements in *Commercial News USA*. US&FCS operates Export Development Offices to coordinate promotions for certain posts.

## Country Desk Officers

Country desk officers, in ITA's International Economic Policy unit, are another excellent source of information on trade potential in specific countries. Every country in the world has a country desk officer assigned to it. These specialists can look at the needs of an individual U.S. firm wishing to sell in a particular country in the full context of that country's overall economy, trade policies, and political situation, and also in light of U.S. policies toward that country.

Desk officers keep up-to-date on the economic and commercial conditions in their assigned countries. Each collects information on the country's regulations, tariffs, business practices, economic and political developments, trade data and trends, market size, and growth. In this way, each keeps tabs on the country's potential as a market for U.S. products, services, and investments.

Country desk officers seek to remove obstacles to U.S. commercial activities in their assigned countries. They develop and recommend trade and investment policy positions for the Department of Commerce and represent the Department in government-to-government discussions of the issues. They participate in negotiations of trade and investment agreements, drawing on their country expertise and the policy guidance they have received during deliberations. They work with the ITA district offices in counseling businesses and arranging seminars on trade and investment opportunities in their assigned countries.

### Country Desk Organization

| Headquarters | (202) 377-3622 |
|---|---|
| GATT Division | (202) 377-3681 |
| International Organizations | (202) 377-3227 |
| **U.S. Trade by Region** | |
| Africa | (202) 377-2175 |
| Canada | (202) 377-3101 |
| Caribbean Basin & Mexico | (202) 377-5327 |
| Eastern Europe | (202) 377-2645 |
| European Community | (202) 377-5276 |
| Israel Information Center | (202) 377-4652 |
| Japan | (202) 377-4527 |
| Near East | (202) 377-4441 |
| Pacific Basin | (202) 377-4008 |
| PRC, Hong Kong | (202) 377-3583 |
| South America | (202) 377-2436 |
| South Asia | (202) 377-2954 |
| U.S.S.R. | (202) 377-4655 |
| Western Europe | (202) 377-5341 |

## Trade Development Industry Officers

ITA's Trade Development unit promotes the trade interests of industry sectors and offers information on markets and trade practices worldwide. The organization is grouped into seven sectoral units: Aerospace, Automotive Affairs and Consumer Goods, Basic Industries, Capital Goods and International Construction, Science and Electronics, Services, and Textiles and Apparel. A cross-sectoral unit—Trade Information and Analysis—also develops data useful in export promotion.

The industry specialists promote exports of their industries through marketing seminars, foreign buyer groups, executive trade missions, business counseling, and information on market opportunities. They work directly with their industries, trade associations, and state development agencies to plan international marketing programs and develop policy negotiations aimed at attacking trade barriers and opening up markets.

Seminars have focused on Far East aerospace markets, biotechnology in Europe and Japan, worldwide construction and engineering, and selling auto parts to the Japanese and to Korea. Executive missions have gone to Asia, Europe, and South America for auto parts, telecommunications, supercomputers, and aerospace. Buyer groups for computers, textile products, and apparel have received special handling.

A special marketing program for con-

### Industry Organization

| Headquarters | (202) 377-1461 |
|---|---|
| Aerospace | (202) 377-8228 |
| Automotive | (202) 377-0823 |
| Chemicals and Allied Products | (202) 377-0128 |
| Consumer Goods | (202) 377-0337 |
| Computer and Business Equipment | (202) 377-0572 |
| Energy | (202) 377-1466 |
| Export Trading Companies | (202) 377-5131 |
| Forest Products and Domestic Construction | (202) 377-0384 |
| General Industrial Machinery | (202) 377-5455 |
| Instrumentation | (202) 377-5466 |
| Medical Services | (202) 377-0550 |
| Major Projects and International Construction | (202) 377-5225 |
| Metals, Minerals, and Commodities | (202) 377-0575 |
| Microelectronics & Instrumentation | (202) 377-2587 |
| Services Industries | (202) 377-3575 |
| Special Industrial Machinery | (202) 377-0302 |
| Telecommunications | (202) 377-4466 |
| Textiles | (202) 377-5078 |
| Trade Information Analysis | (202) 377-1316 |
| Export Statistics and Trade Data (Foreign) | (202) 377-4211 |
| Export Statistics and Trade Data (Domestic) | (202) 377-4211 |

sumer goods. "Great Stores of the World," brings U.S. sellers into direct, one-on-one contact with buyers for major department and specialty store chains overseas. Travel and appointments are arranged by the specialists to save time for the seller and to make sure he meets the right customers.

The Services unit plays an important role in trade promotion efforts, because (1) world trade in services has been expanding more rapidly than trade in merchandise, and (2) the United States is very competitive in the services sector. The unit provides information on the operation of services sectors in other countries and on specific trade opportunities.

For major projects abroad, the International Construction unit assists U.S. planning, engineering, and construction firms with bids and contracts. It works with the U.S. Export-Import Bank and the multilateral development banks and is a clearinghouse for information on major projects worldwide. The Major Projects Reference Room in the Commerce Department headquarters in Washington, D.C., keeps detailed project documents on multilateral bank and U.S. Government foreign assistance projects.

**Trade Information and Analysis.** ITA's Trade Information and Analysis office disseminates international trade and investment data and analyses to assist U.S. businesses in their market planning and for use in export promotion and trade policy. The office produces economic and econometric analyses, industry statistics, and trade, finance, and investment data and studies—especially for multiple groups of industries. U.S. and foreign country trade data can be accessed through ITA's district offices, or at the Trade Reference Room in Commerce Department headquarters.

## Export Trading Companies

The Office of Export Trading Company Affairs promotes the formation of export trading companies (ETCs) and export management companies (EMCs) by sponsoring conferences, workshops, and presentations. It provides a program for registering suppliers and ETCs and EMCs to help registrants identify and contact potential business partners. The office also administers the Export Trade Certificate of Review process under Title III of the Export Trading Company Act, which extends antitrust protection for joint exporting ventures. Telephone: (202) 377-5131.

## Export Services of Commerce's ITA

**Export counseling.** Trade specialists are available at ITA district and branch offices for individualized export counseling. The Washington, D.C., Branch Office counsels visitors to the capital at the U.S. Department of Commerce headquarters; they also schedule appointments with Department officials.

**Agent/Distributor Service.** A customized search for interested and qualified foreign representatives will identify up to six foreign prospects who have examined the U.S. firm's literature and expressed interest in representing it.

**Commercial News USA.** A monthly magazine that promotes the products or services of U.S. firms to more than 110,000 overseas agents, distributors, government officials, and end-users. Exporters may submit a black-and-white photo and a brief description of their product or service.

**Comparison Shopping.** A custom-tailored service that provides firms with key marketing and foreign representation information about their specific products. Commerce Department staff conduct on-the-spot interviews to determine nine key marketing facts about the product, such as sales potential in the market, comparable products, distribution channels, going price, competitive factors, and qualified purchasers.

**Foreign Buyer Program.** Exporters can meet qualified foreign purchasers for their product or service at trade shows in the United States. The Commerce Department promotes the shows worldwide to attract foreign buyer delegations, manages an international business center, counsels participating firms, and brings together buyer and seller.

**Trade Opportunities Program.** Provides companies with current sales leads from overseas firms seeking to buy or represent their product or service. These leads are available electronically from the Commerce Department and are redistributed by the private sector in printed or electronic form.

**World Traders Data Report.** Custom reports that evaluate potential trading partners. Includes background information, standing in the local business community, credit-worthiness, and overall reliability and suitability.

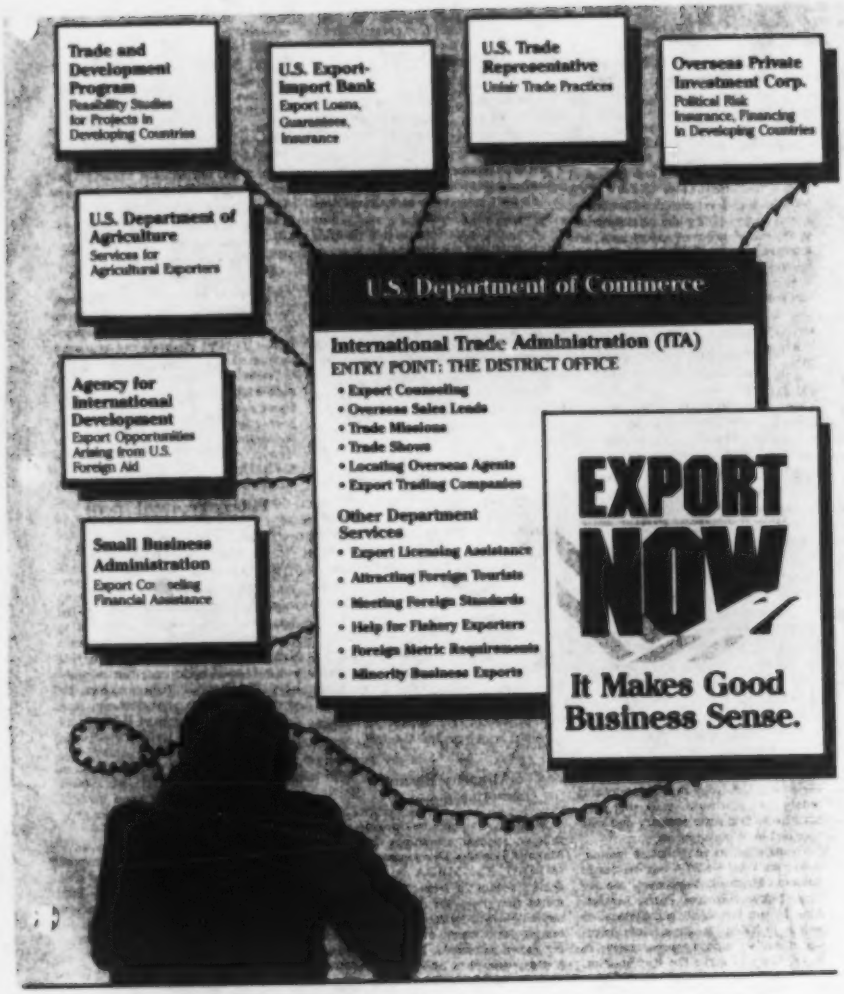
**Overseas Catalog and Video-Catalog Shows.** Companies can gain market exposure for their product or service without the cost of traveling overseas by participating in a catalog or video-catalog show sponsored by the Commerce Department. Provided with the firm's product literature or promotional video, the Department's U.S. and Foreign Commercial Service will send an industry expert to display the material to select foreign audiences in several countries.

**Overseas Trade Missions.** Officials of U.S. firms can participate in a trade mission which will give them an opportunity to confer with influential foreign business and government representatives. Commerce Department staff will identify and arrange a full schedule of appointments in each country.

**Overseas Trade Fairs.** U.S. exporters may participate in overseas trade fairs which will enable them to meet customers face-to-face and also to assess the competition. The Commerce Department creates a U.S. presence at international trade fairs, making it easier for U.S. firms to exhibit and gain international recognition. The Department selects international trade fairs for special endorsement, called certification. This cooperation with the private show organizers enables U.S. exhibitors to receive special services designed to enhance their market promotion efforts. There is a service charge.

**Matchmaker Events.** Matchmaker Trade Delegations offer introductions to new markets through short, inexpensive overseas visits with a limited objective: to match the U.S. firm with a representative or prospective joint venture/licensee partner who shares a common product or service interest. Firms learn key aspects of doing business in the new country and meet in one-on-one interviews the people who can help them be successful there.

*To take advantage of these export services contact the Commerce Department (International Trade Administration) district office nearest you. See list of district offices on page 6.*


Trade and Development Program
Feasibility Studies for Projects in Developing Countries
U.S. Export-Import Bank
Export Loans, Guarantees, Insurance
U.S. Trade Representative
Unfair Trade Practices
Overseas Private Investment Corp.
Political Risk Insurance, Financing in Developing Countries
U.S. Department of Agriculture
Services for Agricultural Exporters
U.S. Department of Commerce
International Trade Administration (ITA)
ENTRY POINT: THE DISTRICT OFFICE
• Export Counseling
• Overseas Sales Leads
• Trade Missions
• Trade Shows
• Locating Overseas Agents
• Export Trading Companies
Other Department Services
• Export Licensing Assistance
• Attracting Foreign Tourists
• Meeting Foreign Standards
• Help for Fishery Exporters
• Foreign Metric Requirements
• Minority Business Exports
Agency for International Development
Export Opportunities Arising from U.S. Foreign Aid
Small Business Administration
Export Co unseling
Financial Assistance
EXPORT NOW
It Makes Good Business Sense.

# Other Commerce Department Export Services

In addition to ITA, five other Commerce Department agencies offer export services:

## Export Licensing Assistance

Expanded export licensing services and information are available to America's business community from the U.S. Commerce Department's new Bureau of Export Administration (BXA). BXA provides high-level direction for national export control policy and administration, strong enforcement of export laws, and improved service (with few burdens) to business. U.S. export control laws prevent the unauthorized transfer of high technology that would harm America's national security by contributing to military capabilities of our adversaries.

Among improved business services are:

- Electronic licensing by ELAIN: (202) 377-4811;
- Instant status updates on license applications via STELA: (202) 377-2753;
- Export licensing education seminars offered by the Export Seminar Staff: (202) 377-8731;
- Expert detailed guidance on preparing license documents provided by the Exporter Assistance Office: (202) 377-4811.

*For additional information about ELAIN and STELA, see "8 in '8" article, pages 29 and 30. For more on Export Administration, see Feb. 29 issue of* Business America.

## Travel and Tourism

The U.S. Travel and Tourism Administration (USTTA) promotes U.S. export earnings through trade in tourism. To increase U.S. exports of goods and services in tourism, USTTA stimulates foreign demand, removes barriers, increases the number of small- and medium-size travel businesses participating in the export market, provides accurate and timely data, and forms marketing partnerships with private industry and with state and local governments.

To maintain its programs in international markets, USTTA has offices in Toronto, Montreal, Vancouver, Mexico City, Tokyo, London, Paris, Amsterdam, Milan, Frankfurt, and Sydney, as well as in Miami, to serve South America; it has a contract representative in Hong Kong to serve the Pacific Rim. The International Congress Office in Paris promotes the United States as a site for international meetings and conventions.

Travel development activities in countries without direct USTTA representation are carried out under the direction of USTTA regional directors in cooperation with "Visit USA" committees comprised of representatives of the U.S. and foreign travel industry in those countries.

**Export assistance in tourism marketing:** (202) 377-4003.

*For information about USTTA regional travel conferences this year, see page 30.*

## Foreign Requirements for U.S. Products and Services

U.S. companies wishing to sell abroad must know how to deal with foreign national requirements, standards, testing and certification requirements. The National Center for Standards and Certification Information (NCSCI— within the Commerce Department's National Bureau of Standards) is the government's central repository for standards-related information. For more information about foreign standards and certification systems, write: NCSCI, National Bureau of Standards, Administration Building, A629, Gaithersburg, Md. 20899. The telephone number is (301) 975-4040.

The National Bureau of Standards also maintains a GATT Hotline with a recorded message that reports on the latest notifications of proposed foreign regulations that may affect trade. The hotline number is (301) 975-4041.

*Exporters can get information about foreign standards from the non-governmental American National Standards Institute, telephone 212-354-3300.*

## Minority Business Development

Minority-owned businesses can receive special assistance from the Minority Business Development Agency (MBDA). The MBDA is a separate agency within the Department of Commerce that promotes the expansion of minority-owned businesses. The agency can provide a variety of services, including export assistance, to minority businesses through a consortium of 100 minority business development centers funded by MBDA.

The centers provide minority entrepreneurs with assistance in obtaining financial resources, bonding, marketing information, and management and technical expertise. The centers also help minority-owned firms to identify new business opportunities in domestic, government and international markets. Contact: Minority Business Development Agency, U.S. Department of Commerce, Washington, D.C., 20230; telephone: (202) 377-2414.

## Foreign Metric Regulations

The Office of Metric Programs provides exporters with information about foreign metric import regulations. It also provides guidance and assistance on matters relating to U.S. transition to the metric system; it can give referrals to state metric contacts. The office's telephone number: (202) 377-3036. *A non-governmental source of information on the metric system: American National Metric Council, telephone (202) 628-5757.*

## Fishery Product Exports

The National Oceanic and Atmospheric Administration (NOAA) assists seafood exporters by providing trade leads, conducting sales missions, doing market studies, and organizing "how to export" seminars. It helps the industry by improving their access to markets in other countries. The agency's National Marine Fisheries Service addresses worldwide trade-barrier problems affecting U.S. fishery exports by supporting multilateral negotiations, such as the Uruguay Round of GATT, and bilateral negotiations for improved trade in fishery products with particular countries. In addition, the agency analyzes impacts of various foreign trade actions on the U.S. fishing industry and provides expertise for industry actions under U.S. trade law.

The Service provides inspection services for fishery commodities for export and issues official U.S. Government certificates attesting to the findings. The Commerce Department can provide bilingual certificates for shipments to France and trilingual certificates for shipments to Belgium.

In addition, NOAA has a full-time

fisheries trade promotion coordinator assigned to the US&FCS, as well as two fisheries trade specialists in Antwerp and Tokyo.

For further information contact:
Office of Trade and Industry Services
National Marine Fisheries Service
Room 1025, Universal Building South
1825 Connecticut Ave. N.W.
Washington, D.C. 20235
Telephone: **Trade Matters**
(202) 673-5502 or 5492
**Export Inspection**
(202) 673-5875
**Fisheries Promotion**
(202) 377-3922

## Other Federal Export Assistance

### U.S. Export-Import Bank

The Export-Import Bank of the United States (Eximbank) is the government agency responsible for aiding the export of U.S. goods and services through a variety of loan, guarantee, and insurance programs.

Eximbank's financial programs generally are available to any U.S. export firm, regardless of size. The following programs, however, are particularly helpful to small business exporters.

**Export Credit Insurance.** An exporter may reduce its risks by purchasing export credit insurance from Eximbank's agent, the Foreign Credit Insurance Association (FCIA). Policies available include insurance for financing or operating leases, medium-term insurance, the new-to-export policy, insurance for the service industry, the umbrella policy, and multibuyer and singlebuyer policies.

**Working Capital Guarantee.** The Working Capital Loan Guarantee Program assists small businesses in obtaining crucial working capital to fund their export activities. The program guarantees 90 percent of the principal and a limited amount of the interest on working capital loans extended by banks to eligible U.S. exporters.

**Direct and Intermediary Loans.** Eximbank provides two types of loans: direct loans to foreign buyers of U.S. exports and intermediary loans to fund responsible parties that extend loans to foreign buyers of U.S. capital and quasi-capital goods and related services. Both the local and guarantee programs cover up to 85 percent of the U.S. export value, with repayment terms of one year or more.

**Guarantees.** Eximbank's guarantee provides repayment protection for private sector loans to creditworthy buyers of U.S. capital equipment and related services. The guarantee is available alone or may be combined with an intermediary loan.

Most guarantees provide comprehensive coverage of both political and commercial risks, but political-risks-only coverage is also available.

**Small Business Advisory Service.** To encourage small business to sell overseas, Eximbank maintains a special office to provide information on the availability and use of export credit insurance, guarantees, and direct and intermediary loans to finance the sale of U.S. goods and services abroad. Its toll-free number is 1-800-424-5201.

**Briefing Programs.** Eximbank offers briefing programs which are available to the small business community. The program includes group briefings and individual discussions held both within the Bank and around the country. For scheduling information call (202) 566-4490.

The address of the U.S. Export-Import Bank is 811 Vermont Ave. N.W., Washington, D.C. 20571; telephone (202) 566-8990 (public affairs office).

### Small Business Administration

Small Business Administration (SBA) exporter services, available at no cost to eligible recipients, include the following:

**Export counseling.** Export counseling services are furnished to potential and current small business exporters by executives and professional consultants. Members of the Service Corps of Retired Executives (SCORE) and the Active Corps of Executives (ACE), with years of practical experience in international trade, assist small firms in evaluating their export potential and strengthening their domestic operations by identifying financial, managerial, or technical problems.

**Small Business Institute/Small Business Development Centers.** Through the Small Business Institute (SBI), advanced business students from more than 450 colleges and universities provide in-depth, long-term counseling under faculty supervision to small businesses. Additional export counseling and assistance are offered through Small Business Development Centers (SBDCs) which are located within some colleges and universities.

**Call Contact Program.** A third facet of the SBA counseling service is the Call Contact Program that uses professional management and technical consultants.

**Export training.** SBA Field Offices cosponsor export training programs with the Department of Commerce, other federal agencies, and various private sector international-trade organizations.

**Financial assistance.** The SBA operates loan guarantee and direct loan programs to assist small business exporters.

**Legal advice.** Through an arrangement with the Federal Bar Association (FBA), exporters may receive initial assistance, utilizing the Export Legal Assistance Network (ELAN), a cooperative program of the Commerce Department, SBA, and the Federal Bar Association.

**Regional Offices.** For export assistance, a company should call the Small Business Association Regional International Trade office in its region:

- Region I (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont), Boston, telephone (617) 451-2047.
- Region II (New Jersey, New York, Puerto Rico, Virgin Islands), New York City, telephone (212) 264-7759.
- Region III (Delaware, District of Columbia, Pennsylvania, West Virginia, Virginia, Maryland), Bala Cynwyd, Pa., telephone (215) 596-5911.
- Region IV (Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee), Atlanta, Ga., telephone (404) 881-4948.
- Region V (Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin), Chicago, telephone (312) 353-4252.
- Region VI (Arkansas, Louisiana, New Mexico, Oklahoma, Texas), New Orleans, telephone (504) 589-6314.
- Region VII (Iowa, Kansas, Missouri, Nebraska), Kansas City, Mo., telephone (816) 374-7762.

- Region VIII (Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming), Denver, (303) 844-5441.
- Region IX (Arizona, California, Hawaii, Nevada, Guam), San Francisco, telephone (415) 556-9902.
- Region X (Alaska, Idaho, Oregon, Washington), Seattle, (206) 442-8333.

To get SBA export help in Washington, D.C., contact:
Office of International Trade
U.S. Small Business Administration
Room 501A
1441 L St. N.W.
Washington, D.C. 20416
(telephone: (202) 653-7794)

## Department of Agriculture (Foreign Agricultural Service)

The U.S. Department of Agriculture's (USDA) export promotion efforts are centered in the Foreign Agricultural Service (FAS), but other USDA agencies offer services to the U.S. exporter of agricultural products. These include the Economic Research Service, the Office of Transportation, the Animal & Plant Health Inspection Service, the Food Safety and Inspection Service, and the Federal Grain Inspection Service. For information on programs, contact the Director of High Value Products Division, FAS, Room 4649, South Bldg., U.S. Department of Agriculture, Washington, D.C., 20250; telephone: (202) 447-6343.

FAS provides financial support for U.S. agricultural exports through the Commodity Credit Corporation. Firms may obtain information on financial programs by contacting General Sales Manager, Export Credits, Foreign Agricultural Service, 14th Street and Independence Ave., S.W., Washington, D.C. 20250; telephone: (202) 447-5173.

Other contacts:
Minority and Small Business Coordinator.....(202) 447-3833

**FSA Commodity and Marketing Divisions**
Dairy, Livestock and Poultry .....(202) 477-8031
Grain and Feed Division .....(202) 447-6219
Horticulture and Tropical Products .....(202) 447-6590
Oilseed and Oilseed Products .....(202) 447-7037
Tobacco, Cotton and Seeds .....(202) 382-9516
Forest Products .....(202) 382-8138

## Overseas Private Investment Corporation

Through the Overseas Private Investment Corporation (OPIC), the government facilitates U.S. private investments in less developed nations. OPIC is an independent, financially self-supporting corporation, fully owned by the U.S. Government with offices in Washington, D.C.

OPIC provides political risk insurance and financing to American companies interested in the developing countries. It also offers specialized insurance and financing services for U.S. service contractors and exporters operating in the developing world.

Many developing countries require foreign firms to post bid, performance or advance payment guaranties in the form of standby letters of credit when bidding on or performing overseas contracts. OPIC's political risk insurance for contractors and exporters protects against the arbitrary or unfair drawing of such letters of credit.

In addition, contractors and exporters may also obtain insurance against the risks of currency inconvertibility; confiscation of tangible assets and bank accounts; war, revolution, insurrection and civil strife; and losses sustained when a government owner fails to settle a dispute in accordance with the provisions of the underlying contract.

For more information on any of these programs, a toll-free telephone number may be used: (800) 424-6742 (457-7010 if calling from within the Washington, D.C., metropolitan area).
Contact:
Overseas Private Investment Corporation (OPIC)
1615 M St., N.W., Suite 400
Washington, D.C. 20527
Telephone: (202) 457-7200.

## Trade Policy (U.S. Trade Representative)

The Office of the U.S. Trade Representative (USTR) is an agency of the Executive Office of the President. The USTR is the President's chief advisor on trade, coordinates trade policy within the U.S. Government and is the principal negotiator of trade agreements. The USTR also is the U.S. representative to the General Agreement on Tariffs and Trade (GATT) and is responsible for administering some of the laws to prevent unfair trade practices. Individual exporters should contact the USTR's office if they want to file a complaint about unfair trade practices under Section 301 of the Trade Act of 1974 or if they seek relief under Section 201 of that law. Contact:
Office of the U.S. Trade Representative
600 17th St. N.W.
Washington, D.C. 20501
(202) 395-3230

## Agency for International Development

The Agency for International Development (AID) administers most of the foreign economic assistance programs for the federal government. AID offers U.S. exporters opportunities to compete in the sales of goods or services supplied to foreign countries under loans and grants made by AID. U.S. exporters can benefit from two AID programs: the Commodity Import Programs and Project Procurements. In both of these programs, AID recipient countries purchase the commodities directly through U.S. suppliers.

**Office of Business Relations**
.....(202) 875-1551
Agency for International Development (AID)
Department of State Building
320 21st Street, N.W.
Washington, D.C. 20523

## Trade and Development Program

The Trade and Development Program (TDP) is an agency of the U.S. Government that primarily funds feasibility studies for both public and private sector projects in developing countries. TDP finances studies in five principal sectors: large scale energy generation and conservation, infrastructure, mineral development, agribusiness, and basic industrial facilities.

A major purpose of TDP funding is to help U.S. engineering and planning firms win major contracts in foreign countries. By encouraging the use of U.S. firms in planning and design of a capital project, TDP participation increases the likelihood that U.S. goods, technology, and services will be procured during project implementation.
Contact:
Trade and Development Program
Room 304, SA 16
Department of State
Washington, D.C. 20523
(703) 875-4357

# EXPORT NOW State Government Export Services

U.S. companies searching for export advice have many different avenues from which to choose. As mentioned in other articles in this issue, the exporter can turn to the Commerce Department and its district office network, other federal government agencies, and the private sector for advice.

In addition to the above organizations, there is still one more very valuable tool for U.S. firms—the services of state and local governments. On the following pages, the governors of five states stress the importance of international trade and the role of the states in making America more competitive, beginning with an address by Virginia's Governor Baliles, Chairman-Elect of the National Governors' Association, at the White House kickoff ceremony for **EXPORT NOW.**

## Virginia Governor Gerald L. Baliles

To draw a lesson from the Far East, Confucius said that to open a shop is easy, to keep it open is an art.

He was talking about the art of selling.

Nearly 400 years ago, English settlers attempted to set up a shop along the banks of the James River in Virginia. They found it hard indeed to keep it open—but they managed, they cultivated and developed products to sell and export, and the spirit of their efforts inspired a nation to commerce, international trade, and economic success.

In the years since, America has demonstrated a unique capacity for buying and selling—although lately we have been better buyers than sellers.

I think we can change that—but first we must alter our attitudes, in both the private and the public sectors.

Whether we like it or not, the global economy is here to stay. There's no turning away from the world, there's only facing reality—and making the most of it.

We must push forward, ready to compete, ready to invest money, ready to invest time—and ready to do it over the long term.

States have the principal responsibility for our public schools—to teach our citizens the skills necessary to succeed in the international economy.

That means teaching foreign languages—so that our business leaders can speak and sell in the language of the customer.

That means teaching history and geography, so that we understand the cultures of other nations—and comprehend the economic aspirations of other peoples.

After all, export success starts with knowing what people want to buy.

Accordingly, governors have become roving ambassadors for new trade and export development—in fact, you are more likely to find a governor at Narita than at National.

Today, state economies need less reaching out to Washington and more reaching out to the world.

Market development, long-range investments in negotiations, carefully established personal relationships—these are key to finding new buyers.

Of course, we also have to be able to get there from here.

So, states have become a moving force for moving people—building new roads, investing in better, more efficient airports and, most importantly for exports, improving port facilities.

This nation grew on the strength of innovative transportation—canals lining rivers, roads opening new territories, railways crossing a continent.

And, yet, today America has become a model of transportation inefficiency, of clogged airports, aging roadways, and inadequate urban transit.

We are not going to gain the future if we lose productivity crossing town—the states understand that and are resolved to do something about it.

Virginia already has started—and many other states are taking action, particularly those seacoast states which serve as international portals.

Only this morning, the Conference Board released an analysis projecting a 15 percent rise in the volume of exports and a 3 percent increase in the volume of imports in 1988.

That could reduce the real trade deficit by one-third from last year's figures.

So, we agree—the doors of opportunity *have* swung open.

Of course, ultimate success depends on the private sector.

So, that's why efforts such as **"EXPORT NOW!"** are so important. Your determination to get the word out on exports will stimulate firms to find new markets—and the states applaud your efforts.

Of course, if we try to fly to the future on the wings of rhetoric, it will be an abbreviated journey.

So, we must commit to the long haul and the investment of our resources.

Evidence abounds that American businesses—small, medium, and large—can successfully export products overseas—but they need encouragement.

And, the best encouragement I can imagine is the

restoration of that ancient and revered American talent: selling.

We have everything to gain by selling—by exporting—and a lot to lose if we don't.

So, on behalf of the governors of America's states, I say **"EXPORT NOW!"** is right on.

## Washington Governor Booth Gardner

The State of Washington is the most trade-dependent state in the nation. One of every four jobs is directly related to international commerce. So state government works hard to promote awareness of trade opportunities among our business constituents.

The state has several programs to help increase imports and exports, including everything from one-on-one case management to large-scale trade missions centered around specific deal-making opportunities.

One especially helpful improvement is the creation by the state Business Assistance Center of a computerized information system that allows small and medium-sized businesses to use telephone-computer connections to receive the latest information about trade leads as quickly as possible, while there is still time to make a deal.

## Illinois Governor James R. Thompson

International trade is of critical importance to the Illinois economy. More than 1,000 international businesses have established financial, manufacturing, or distribution facilities in Illinois, creating new jobs for the people of our State. In fact, during fiscal year 1987 alone, nearly 2,500 jobs were created by the 44 foreign firms that expanded or located in Illinois, representing a total capital investment of $306 million.

Recent advances in high technology and the weakened dollar have sharpened foreign interest in American companies and products. We're focusing that interest on Illinois.

Through trade missions and participation in trade and catalog shows, Illinois promotes itself aggressively to the world. Six foreign offices provide businesses with technical assistance and information on export financing, catalog shows, foreign trade zones, overseas agents and distributors, transportation, government regulations and other concerns of both importers and exporters.

Illinois has the resources and the commitment to work with you and your business.

## Minnesota Governor Rudy Perpich

Minnesota wants to take advantage of the projected growth in exports over the next two years. Increased productivity and a weak dollar offer tremendous incentives to small and medium-sized agricultural, manufacturing and service companies. As Governor, I'm committed to helping potential exporters be more competitive in the global marketplace. Increased business opportunities for Minnesota companies will also improve the U.S. balance of payments and the country's future in international trade.

There are a variety of programs and services available to small and medium-size firms that want to export. The Minnesota Trade Office, a division of the Department of Trade and Economic Development, offers statewide seminars and workshops on the 'nuts and bolts' of exporting, industry and international marketing counselling, export financing, and the availability of a growing international network of rep-

### State Export Offices

Following are telephone numbers for the export development contact in each state: **Alabama**, (205) 263-0048; **Alaska**, (907) 561-5585; **Arizona**, (602) 255-5371; **Arkansas**, (501) 682-7781; **California**, (916) 324-5511; **Colorado**, (303) 892-3840; **Connecticut**, (203) 566-3842; **Delaware**, (302) 736-4271; **Florida**, (904) 488-6124; **Georgia**, (404) 656-3577; **Hawaii**, (808) 548-3048; **Idaho**, (708) 334-9254; **Illinois**, (314) 917-7164; **Indiana**, (317) 232-8846; **Iowa**, (515) 281-3581; **Kansas**, (913) 296-4027; **Kentucky**, (502) 564-2170; **Louisiana**, (504) 342-5891; **Maine**, (207) 622-0234; **Maryland**, (301) 333-4295; **Massachusetts**, (617) 367-1830; **Michigan**, (517) 373-9709; **Minnesota**, (612) 297-4222; **Mississippi**, (601) 359-3444; **Missouri**, (314) 751-4855; **Montana**, (406) 444-4380; **Nebraska**, (404) 471-4668; **Nevada**, (702) 885-4325; **New Hampshire**, (603) 271-2591; **New Jersey**, (201) 648-3518; **New Mexico**, (505) 827-0300; **New York**, (212) 309-0503; **North Carolina**, (919) 733-7193; **North Dakota**, (701) 224-2810; **Ohio**, (614) 466-2480; **Oklahoma**, (405) 521-3501; **Oregon**, (503) 229-5625 or 1-800-452-7813; **Pennsylvania**, (717) 787-7190; **Rhode Island**, (401) 277-2601; **South Carolina**, (803) 734-1400; **South Dakota**, (605) 677-5287; **Tennessee**, (615) 741-5870; **Texas**, (512) 472-5059; **Utah**, (801) 538-3052; **Vermont**, (802) 828-3221; **Virginia**, (804) 786-3791; **Washington**, (206) 464-6282; **West Virginia**, (304) 348-0400; **Wisconsin**, (608) 266-1018; **Wyoming**, (307) 777-7285.

resentatives who help Minnesota companies identify profitable foreign market niches.

In addition to these programs and services, the Minnesota Trade Office is beginning an exciting program in 1988 to promote exports. In May and June 1988, a pilot Export Promotion Campaign will begin in 34 counties to make firms aware of current export opportunities. A combination of print, radio, direct mail, and a computerized assessment of export potential provided at the local level will make companies aware that 1988 is a good time to consider foreign markets. If the pilot is successful, the campaign could go statewide in the fall.

The national **"EXPORT NOW"** campaign is welcome in Minnesota and complements our efforts to eliminate barriers to international trade and provide information to Minnesota businesses about ways to successfully participate in the global economy.

## Indiana Governor Robert D. Orr

The State of Indiana believes in the importance of making America more competitive in the world market. Individual states are a good place to start such efforts. With that in mind, Indiana has already pushed through its General Assembly, in the 1988 legislative session, a five-bill "Jobs Through Exports" package. Each of the bills passed with bipartisan support.

The package sets up five programs designed to raise international awareness and focus state resources toward stimulating Hoosier international trade. The Indiana Export Development Authority, created by one of the bills, guarantees small business loans to help finance export sales. The Maritime Opportunity Districts offer tax breaks to Hoosier companies that invest in and export from Indiana ports on Lake Michigan and the Ohio River. The Trade Show Promotion Program encourages Indiana companies to participate in foreign U.S. products shows through cost-sharing. The Ambassadors in Education Program established an exchange program for Indiana teachers. Finally, the Partners in Export Program encourages the state's universities to share their global knowledge of foreign business practices, foreign culture and economic systems, science, and technology with Indiana businesses.

In addition to these programs, the General Assembly is expanding the Indiana Department of Commerce International Trade Division to establish a Korean office (Indiana already has four overseas offices) and to create a new international data base.

We (Lt. Governor John M. Mutz and I) proposed a program that puts Indiana in the forefront of a state-by-state effort to prepare America for a more competitive world. I applaud the legislature for the bipartisan support our initiatives received. The General Assembly and I are in agreement that more Hoosier exports mean more Hoosier jobs.

## Exports By State, 1987

| | |
|---|---|
| 1. California | $27.5 billion |
| 2. Texas | $19.7 billion |
| 3. New York | $15.0 billion |
| 4. Michigan | $13.0 billion |
| 5. Washington | $10.6 billion |
| 6. Louisiana | $9.8 billion |
| 7. Florida | $7.6 billion |
| 8. Ohio | $7.6 billion |
| 9. Massachusetts | $7.0 billion |
| 10. Illinois | $6.9 billion |
| 11. Virginia | $5.6 billion |
| 12. New Jersey | $5.0 billion |
| 13. Pennsylvania | $4.6 billion |
| 14. North Carolina | $4.5 billion |
| 15. Minnesota | $3.3 billion |
| 16. Indiana | $3.2 billion |
| 17. Wisconsin | $3.1 billion |
| 18. Georgia | $3.0 billion |
| 19. Connecticut | $2.6 billion |
| 20. Arizona | $2.5 billion |
| 21. Oregon | $2.3 billion |
| 22. Tennessee | $1.9 billion |
| 23. Alabama | $1.8 billion |
| 24. Kentucky | $1.8 billion |
| 25. Missouri | $1.8 billion |
| 26. South Carolina | $1.7 billion |
| 27. Maryland | $1.5 billion |
| 28. Colorado | $1.4 billion |
| 29. Iowa | $1.4 billion |
| 30. Alaska | $1.3 billion |
| 31. Kansas | $1.2 billion |
| 32. West Virginia | $1.0 billion |
| 33. Mississippi | $973 million |
| 34. Oklahoma | $842 million |
| 35. New Hampshire | $710 million |
| 36. Utah | $659 million |
| 37. Delaware | $611 million |
| 38. Vermont | $562 million |
| 39. Nebraska | $559 million |
| 40. Arkansas | $519 million |
| 41. Maine | $500 million |
| 42. Idaho | $423 million |
| 43. Rhode Island | $383 million |
| 44. Nevada | $309 million |
| 45. Montana | $239 million |
| 46. North Dakota | $232 million |
| 47. Hawaii | $152 million |
| 48. New Mexico | $132 million |
| 49 South Dakota | $50 million |
| 50. Wyoming | $6 million |
| **Total** | **$252.9 billion** |

Note: State export values/rankings by the Bureau of the Census based on data from shippers' export documents—which may not exactly measure exports by state whenever the origin is unknown to retailers/wholesalers.

# EXPORT NOW Where to EXPORT NOW

The theme of this special issue of *Business America* is that an unprecedented combination of world economic and financial conditions make NOW an excellent time to export. Once you've made the decision to export, the next obvious question is where. *Business America* asked the country specialists in the International Economic Policy unit of the International Trade Administration to identify the most promising markets for U.S. products around the world, and to briefly explain why. Their response was that almost every country in the world is an excellent market for American products right now. They selected the following countries because space limitations precluded publication of a more comprehensive list. The name and telephone number of the desk officer who provided the information is listed at the end of each country summary. Desk officers for other countries can be contacted at the telephone numbers for International Economic Policy regional offices listed on page 7. All of the Commerce Department's country experts are ready to help you **EXPORT NOW**.

## Europe

**France**—Increasing French interest in American-made products, particularly in high-technology, in combination with the weaker dollar, makes 1988 an excellent year for U.S. business to move into the French market. Advances made by U.S. firms this year should strengthen U.S. access to the European Community as France and the other 11 EC member states move to eliminate internal trade barriers by 1992. Despite predictions of slower French economic growth in 1988—1.5 percent, down from 2.1 percent in 1987—the weaker dollar should mean increased U.S. exports to France. American products should do particularly well in the following sectors: analytical and scientific equipment, automotive parts and accessories, computers and peripherals, electronic components, electronic industry production and test equipment, food processing equipment, franchising, medical equipment, broadcasting and production equipment, and telecommunications. Commerce is sponsoring trade promotion events in the following sectors: computers, building and construction, medical equipment, automotive parts, seafood, and electronic industry production and test equipment. *Kelly Jacobs, (202) 377-8008.*

**Italy**—U.S. suppliers are not taking full advantage of excellent opportunities in the Italian market. Although U.S. exports were up a significant 14 percent last year, sales by our European competitors rose even faster. With prices of U.S. goods and services very competitive after a decline of over 40 percent in the dollar against the lira, American suppliers are missing out on export opportunities. The Italian economy has enjoyed four years of economic prosperity, and the outlook continues favorable. Italy registered GDP growth of 2.7 percent last year. Domestic demand is expected to grow 3.0 percent this year, causing imports to increase as indigenous industry cannot satisfy many consumer and industrial needs. In an effort to increase U.S. exports, the Commerce Department is highlighting the biotechnology, pollution control, safety and security, and medical equipment markets this year. *Brenda Fisher, (202) 377-2177.*

**Spain**—This is an especially good market now for U.S. exporters of a broad range of high-technology goods. More than 1,000 Spanish firms are taking advantage of commercial opportunities in high-technology sectors and, in the next couple of years, will spend $3.8 billion annually on high-technology products and services. Spain's high-technology push is well under way, with the Spanish Government the prime mover in an attempt to forge a government-industry-academic coalition dedicated to applied research and development and the launching of new products. The government will dedicate over $2 billion to R&D, $7 billion to the National Electronics and Information Plan, and hundreds of millions to various high-technology projects of the European Community. The following industries offer the best prospects for sales to Spain: electronic data processing equipment and peripherals, computer software, biotechnology, electronic components, industrial processing controls, security, medical and telecommunications. *Richard Humbert, (202) 377-4508.*

**Sweden**—This year for the first time U.S. exports to Sweden will top $2 billion. A prosperous economy and more competitive U.S. prices make now the right time for U.S. suppliers to penetrate the Swedish market. In 1987 Sweden's economy did well, with GDP growth of 2.5 percent and industrial investment up 15 percent. The economy will continue to be strong throughout the first half of 1988 and is expected to end the year with an annual growth rate of about 2 percent. The dollar, which hit a record high of 9.72 Swedish krona in March 1985, has now dropped to below 6, a 38 percent decline. U.S. products sensitive to price changes are now much more competitive in the Swedish market. U.S. exporters should take advantage of the opportunities. Sales of $2 billion to a country of slightly more than 8 million customers would appear to be a good achievement. In fact, it represents only a rather small portion of the total import market. Trade dependent Sweden had imports of over $40 billion in 1987. There is substantial potential to expand U.S. exports to Sweden. Swedish com-

### Export '89 in Frankfurt

U.S. small business owners are invited to participate in Export '89, a U.S.-European Small Business Trade Congress to be held in Frankfurt, Germany, April 21-23, 1989. The purpose of the Congress is to develop specific business opportunities and identify and discuss trade barriers, and to provide the opportunity for state governments, port authorities, and trade associations to represent their small businesses abroad. Additional information is available from Helen Burroughs at the U.S. Department of Commerce, (202) 377-3277.

panies are eager customers and would like to hear more from U.S. suppliers about what they have to offer. *James Devlin, (202) 377-4414.*

**Turkey**—Turkey's rate of economic growth was almost 7 percent in 1987 and is projected to be nearly as high this year. Its laws on trade, banking, and foreign exchange regulations have been liberalized, a capital market has been created, and the first free trade zone in Turkey opened in 1987. Many of Turkey's large state economic enterprises are scheduled to be privatized during 1988. This rapid growth level means that demand for U.S. products in Turkey will remain high. It is expected that tenders will be announced during this year for products needed by medical, telecommunications, energy, education, and defense sectors. U.S. goods should be highly competitive in these areas. The U.S. Department of Commerce has been quick to take advantage of Turkey's dynamic growth by organizing a full calendar of export promotion activities, including a tourism investment mission in April, a food processing trade mission in June, a health care equipment video catalog show for July, as well as trade missions devoted to education and training, and construction and mining in September. *Geoffrey Jackson, (202) 377-3945.*

**United Kingdom**—This is one of the most attractive worldwide markets for American exporters. Last year, U.S. exports to the British topped $14 billion, the highest level ever, accounting for 20 percent of all U.S. shipments to Western Europe. This makes the United Kingdom the largest market for American-made goods in all of Europe, and the fifth-largest in the entire world. Several factors will contribute to continued strong demand in the U.K. market for American goods. Foremost is the fundamental strength of the British economy. Real economic growth in the United Kingdom has been consistently higher than that of most other European countries over the past five years. Last year's real GNP growth rate was close to 4 percent, and most predictions are for 2.5 percent or better in 1988. The United States exports a highly diversified mix of products to the United Kingdom. Certain categories, though, are expected to outpace the overall demand for U.S. goods in the British market. Products such as computer hardware and software, telecommunications equipment, automotive parts and accessories, security and safety equipment, process controls, electronic components, and fish and seafood, are just some of the product groups high on the demand list in the U.K. market. *Robert McLaughlin, (202) 377-3748.*

**West Germany**—Prospects for the continued expansion of U.S. exports to Germany in 1988 are excellent. The most important reason for this is the 50 percent depreciation of the dollar against the deutsche mark since 1985. In 1987, U.S. exports reached an all-time high. This year, U.S. exports should build on the momentum started in 1987 and reach new record levels. Growth forecasts for the German economy in 1988 are only 1.5 to 2 percent, but sufficient to sustain continued expansion of U.S. exports to Germany. High-technology products, such as computers and software, offer the best export potential for U.S. companies. U.S. exports should also do well in the following sectors: electronic components, analytical and scientific instruments, medical equipment, and industrial process controls. The Department of Commerce plans trade mission and matchmaker events over the next 12 months to promote pollution control equipment, healthcare equipment and computer software/systems. The Department will also participate in several major German international trade fairs. *Gregory O'Connor, (202) 377-2434.*

## Asia

**China**—The current five-year plan calls for construction of a number of key projects in the energy, transportation, telecommunications, and raw materials sectors. In addition, advanced technology will be introduced to upgrade existing industrial facilities. Best prospects for U.S. sales will be concentrated among intermediate and finished goods for these priority sectors, as well as a broad range of manufacturing technologies. Medical equipment, building materials, scientific instruments, and machine tools also offer good prospects. Recently, China announced a new strategy for the development of its coastal areas, which calls for more foreign investment in these relatively more developed areas. This strategy is designed to boost export-oriented production, especially in labor-intensive industries. If implemented effectively, it should generate strong import demand for raw and semi-finished materials, capital equipment, production techniques, and technical and managerial services over the next few years. *Nai-ruenn Chen, (202) 377-3583.*

**Hong Kong**—As the world's most open market (Hong Kong has no trade or investment barriers, tariffs on only seven commodities, and few license requirements), Hong Kong offers significant opportunities for U.S. exporters willing to compete in one of Asia's most challenging and competitive markets. U.S. exports last year expanded a remarkable 31 percent and that growth is expected to continue this year. The most promising sectors for U.S. companies are computers and software, telecommunications, plastics, resins and other raw materials, industrial packaging equipment and materials, office equipment, furniture and supplies, carpets and rugs, textile fabrics, electronic components, medical equipment and supplies, and cosmetics and toiletries. Franchising and leasing also offer opportunities as Hong Kong's services sector continues to expand. A wide range of promotional activities will help U.S. companies take advantage of the opportunities offered by this challenging market. *JeNelle Matheson, (202) 377-2462.*

**Japan**—For a number of reasons, Japan should become a more attractive market to American exporters during 1988. The long awaited benefits from yen appreciation should become more pronounced during the year. Additional opportunities for U.S. exporters will be created as Japanese domestic demand expands. In addition, U.S. policy efforts will continue to make Japan more open to American products. In 1987, U.S. exports to Japan rose 5 percent to $28,249 million, while imports from Japan increased 3 percent to $88,074 million. If the 1986 export total is corrected to delete the one-time sale to Japan of $3 billion of non-monetary foreign-owned gold bullion, U.S. exports to Japan in 1987 show a healthy 18 percent increase. Major product sectors where U.S. exports increased include: logs and lumber, up 43 percent; medical, scientific, and professional apparatus, 23 percent; meat (mainly beef), 18 percent; corn, 18 percent; chemicals and related products, 11 percent; aircraft and parts, 3.6 percent; and metallic ores, 2 percent. The following industries show the best export potential for 1988: software systems, especially engineering work station CAD systems, CAM systems, and specialized scientific computer software; high value added, low volume medical equipment and supplies; telecommunications equipment; fish products; bourbon;

and application specific integrated circuits. In addition, there is also strong export potential for apparel, building products, jewelry, pet food, and sporting goods and recreation equipment. *Patrick Santillo, (202) 377-4527.*

**Korea**—A number of recent developments make Korea an attractive market for U.S. exports. The Korean economy has been booming for the past two years, growing at an annual rate of 12 percent, and predictions are that it will continue to expand in 1988. U.S. exports surged last year, and are projected to grow 20 percent this year, reaching $9.7 billion. Yen/dollar realignment and the gradual appreciation of the Korean won have made U.S. goods more competitive. Korean efforts to reduce tariffs and import licensing restrictions are creating new export opportunities. Korea is a nation virtually without natural resources, so demand for raw materials remains strong. Exports have been the engine of growth for the Korean economy, and machinery and equipment for export industries remain among the best prospects for U.S. exporters. With its improving debt situation and steadily rising per capita income, the Korean Government is beginning to focus on domestic needs. This new social conscience has opened up opportunities for U.S. exports of medical equipment and supplies, and scientific and analytical telecommunications, and pollution control equipment, and some consumer items. Korea has demonstrated its intention to open its markets through removal of import licensing restrictions and reduced tariffs. Recent actions by the Korean Government have created new opportunities in the areas of automobile parts, computers and peripherals, telecommunications equipment, ABS resins, paper and paperboard, and film and photographic paper. *Karen James Chopra, (202) 377-4958.*

**Singapore**—As an entrepot with an excellent transportation and communications infrastructure, Singapore is a favorite choice among foreign companies looking to warehouse their goods for future regional distribution. Moreover, the absence of trade barriers, the near absence of tariff duties, and the presence of a sophisticated consumer infrastructure also contribute to making Singapore an attractive export destination. Best prospects for U.S. exporters will continue to be high-technology products. Singapore relies on foreign investment for advanced technologies, and the United States remains its largest foreign investor. The electronics industry has overtaken oil refining as Singapore's premier industry. Electronics has been growing at an annualized rate of 18 percent for the past ten years and prospects are good for continued growth as Singapore aspires to become the "Silicon Valley" of the Far East. Likewise, exports of office machines will probably increase as part of the Singapore Government's ongoing campaign to automate office operations in ministries and statutory boards. Aviation and avionics support equipment and medical and healthcare equipment are other sectors in which the United States continues to be very competitive. Singapore has all the features a "new-to-market" and "new-to-export" company seeks. Singapore's modern infrastructure, telecommunications and transportation links, and trade relations in the region make it a logical choice for marketing there and regionally. *Joan M. Simik, (202) 377-3875.*

**Taiwan**—Strong economic growth, increasing consumer demand, and improvements in market access for U.S. goods and services make now an excellent time to sell to this attractive market. In 1987, with a 34 percent increase in U.S. exports, Taiwan became the United States' ninth largest export market. U.S. firms will find major opportunities in the medical equipment, energy, transportation, environmental, information processing, communications, electronics, consumer, and process control markets. The Taiwan authorities are making a concerted effort to buy American, especially for contracts for major infrastructure projects. In 1987, U.S. firms obtained contracts for engineering services on a number of major projects, and there are many upcoming projects of interest to U.S. companies. Environmental projects represent an especially opportune sector for U.S. firms. Growing pollution problems resulting from rapid industrialization and population growth will necessitate increased purchases by Taiwan of pollution control technology. U.S. products with good sales potential include many specialized high-tech items for use in waste water treatment, waste gas treatment, garbage and toxic material disposal, and vibration and noise control applications. These are a sampling of the growing opportunities for U.S. exports to Taiwan. Since American products are in demand, and Taiwan is taking steps to make it easier to market, the potential for increased American sales is great. *Dan Duvall, (202) 377-4957.*

## Near East and South Asia

**Egypt**—In the near term, foreign exchange constraints will limit imports by the Egyptian public sector. Many imports will be tied to bilateral aid, and the U.S. economic and military aid programs in Egypt remain massive, with most goods and services limited to U.S. sources. In addition, Egypt's positive attitude toward the United States, including American products, management techniques, and technology, combined with Egypt's resource base and requirements, continues to bring U.S. firms contracts with the Egyptian private sector, as well as with Egyptian government agencies. Major projects in Egypt are mainly associated with infrastructural development and should offer opportunities for sales by U.S. firms in areas such as construction, agricultural equipment, and health care (both private and public sector), telecommunications, and power generation. A host of other areas hold significant potential for U.S. firms, including computers and food processing machinery. Egypt is also a large importer of U.S. farm products, primarily grains. *Jeffrey Johnson, (202) 377-4652.*

**India**—This is a largely untapped major market which warrants more attention from American firms. For the past several years India has pursued selective liberalization of restrictive economic and trade policies to further its development and modernization goals. India's industrial sector is growing at approximately 6 percent and the overall economy has been stable despite last year's drought, the country's worst this century. Although overall U.S.-India bilateral trade has been stagnant for the past year, the export growth rate for some items within the high-technology sector has reached as high as 40 to 50 percent. India's Eighth Five-Year Plan, 1990-95, is expected to call for huge investments in all major sectors. The planning and bidding for some major projects has already begun. U.S. firms should approach this market now if they want to secure a share. There is strong growth potential for U.S. exporters of high-technology goods that match India's development program. These include: computers and peripherals, telecommunications equipment, power generating equipment, oil and gas equipment and services, electronics products and services, alternative energy equipment, machine tools,

medical and health care equipment, pollution and waste control equipment, and printing equipment. *Dolf A. deVos, (202) 377-2954.*

**Israel**—The U.S.-Israel Free Trade Area (FTA) Agreement is a unique agreement offering unique opportunities to U.S. exporters in the Israeli market. The FTA will eliminate all customs duties and most non-tariff barriers between the United States and Israel by 1995. It is the first FTA agreement to which the United States is a party, and the first that includes all goods traded to which Israel is a party. When it is fully implemented, the U.S.-Israel FTA will give U.S. products duty treatment equal or better to that given the European Community under the EC-Israel FTA signed in 1975. (The EC-Israel FTA excludes agricultural products.) In areas where the United States has the best potential for growth in the Israeli market, American products already enter Israel duty-free or will become duty-free in 1989. These products are primarily used in high-technology applications, including: metalworking machine tools; electronic components; computers, peripherals, and software; measuring equipment; industrial process and pollution control equipment; avionics and ground supplies; and telecommunications equipment. The lower value of the dollar, combined with the FTA, is also improving the competitiveness of U.S. consumer items, such as textiles and apparel, airconditioning equipment, and many agricultural products. *Cherie Loustaunau, (202) 377-4652.*

**Saudi Arabia**—A number of sectors will present particularly bright opportunities for U.S. companies in the next few years. Since Saudi Arabia's modern infrastructure was mostly completed during the seventies and early eighties, the government's current emphasis is on operating, maintaining, and improving the existing infrastructure. Consequently, opportunities for U.S. firms in Saudi Arabia are increasingly in services. Opportunities in the operations and maintenance (O&M) area include such specialized high-tech areas as operations and "turnaround" management in agricultural, computer, and telecommunications projects. Agro-industrial projects involving food packaging and processing, marketing, water conservation, fish-farming, and farm-management also present good prospects for U.S. firms. Saudi Arabia's telecommunications network has bolstered demand for data communications equipment. One of Saudi Arabia's priorities is to ensure that sufficient numbers of Saudis are trained to manage the country's industries, to avoid the previous heavy reliance on expatriates. This presents excellent opportunities for American firms capable of training in a wide variety of fields. The market for health care supplies and services remains attractive. *Cynthia Anthony, (202) 377-4652.*

## FTA Makes Canada An Even Better Market

**The United States and Canada are the world's largest trading partners, exchanging goods valued at $132.5 billion in 1987. To build on that relationship, President Reagan and Prime Minister Mulroney signed the U.S.-Canada Free Trade Agreement (FTA) on Jan. 2, 1988. The FTA removes all tariffs and many non-tariff barriers on bilateral trade over ten years, provides for a more efficient and rational North American energy market, opens government procurement markets, promotes trade in tourism, and provides for a dispute settlement mechanism. For the first time, a trade agreement establishes a binding set of rules governing trade in services, including financial services. Also for the first time, the United States and Canada have agreed to rules governing bilateral investment activities. The FTA, which must be approved by the American Congress and the Canadian Parliament, is expected to enter into force on Jan. 1, 1989.**

**Additional information on the provisions of the Agreement, including the schedule of tariff elimination, can be obtained from the Office of Canada, U.S. Department of Commerce, Room 3033, Wash., D.C. 20230; (202) 377-3101.**

## Western Hemisphere

**Canada**—Recent improvements in the U.S.-Canada exchange rate will provide small- and medium-sized companies improved opportunities to export to our nearest and best export market. The United States presently holds the lion's share of imports in most product sectors. However, the exchange rate has been a deterrent to many U.S. exporters. The Canadian dollar is the only major industrial country currency that has registered significant gains against the U.S. dollar in 1988. The Canadian dollar began its recovery in November, following the global stock market crashes. Since that time, the Canadian currency has climbed about 5 percent against the U.S. dollar, significantly improving the prospects for immediate exports to Canada in 1988. The largest increase in U.S. exports—10 percent annually—is expected in computers and peripherals, in which the United States holds a 90 percent share of Canada's import market. Auto parts and accessories, where U.S. exports are projected to grow by nearly 3 percent, rank second as a best prospect. A complete list of "Best Prospects" for Canada and copies of the following "Industry Sector Analyses" are available from the Office of Canada, U.S. Department of Commerce, H3033, Washington, D.C. 20230: CAD/CAM & Robotics, Computer Software, Consumer Household Products, Electronic Components, Financial Services, and Metalworking Equipment. *Caratina L. Alston, (202) 377-3101.*

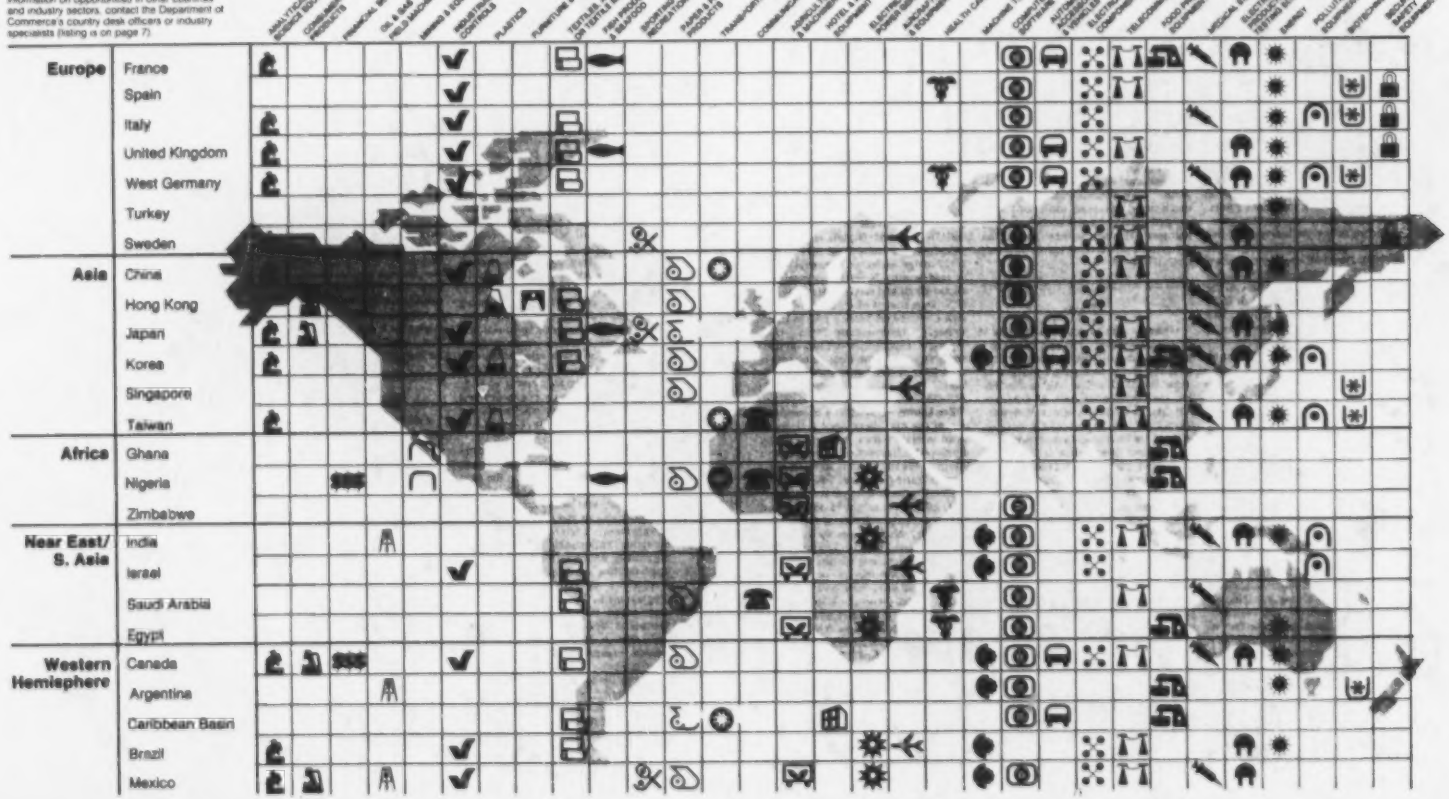
**Argentina**—Higher import levels continue to be driven by moderate economic growth (2 percent in 1987), some easing of import restrictions, and a favorable official exchange rate for imports. Best prospects for U.S. exporters include oil and gas field machinery, and computers and peripherals. Other best prospects: electronic components, telecommunications equipment, food processing and packaging equipment, medical and scientific instruments, metalworking machinery, and biotechnology. *Mark Siegelman, (202) 377-1548.*

**Caribbean Basin**—The Caribbean Basin Initiative (CBI) is the Administration's program for the long-term economic development of that region. The CBI provides duty-free access to the U.S. market for most goods manufactured or grown in the region's 22 beneficiary countries. Beneficiary governments taking advantage of the CBI frequently find it necessary to develop business-related infrastructure to support new business opportunities. Firms in the

*(continued on page 22)*

# Products and Places to EXPORT NOW

This chart is designed to depict a few commodity sectors which offer promising U.S. export opportunities in the selected world markets summarized in this issue. This is not intended to be a comprehensive list, but rather a graphic illustration of the diversity of export opportunities in virtually every country in the world as a result of the unprecedented current combination of world economic and financial conditions. For information on opportunities in other countries and industry sectors, contact the Department of Commerce's country desk officers or industry specialists (listing is on page 7).



(continued from page 19)

region need to source new equipment and raw materials to manufacture products for export. In 1987, U.S. exports to the Caribbean Basin grew approximately 10 percent to $6.6 billion. The growth in foreign exchange earning businesses in the region has been greatest in the agribusiness, apparel, data processing, and light assembly sectors. Consequently, U.S. manufacturers of food processing and packaging equipment, data entry and processing equipment, apparel machinery and textiles, and electric components should find significant export opportunities in the Caribbean Basin. The region also affords export opportunities for U.S. suppliers of medical equipment and automotive parts and accessories. The Caribbean Basin continues to be a good market for used transportation equipment, including buses and trucks, and for equipment to support the growing tourism sector, including hotel and restaurant equipment. Trading in the Caribbean Basin offers several advantages to U.S. suppliers, including market proximity, established trade ties to the United States, familiarity with U.S. methods and business practices, and good communications. *Walter Bastian, (202) 377-2527.*

**Brazil**—The need for substantial imports of capital goods and high-technology products and equipment has seldom been greater. Total imports in 1987 were $15.1 billion. Best prospects include medical equipment and supplies—upgrading of Brazil's health care system is a matter of national concern, and textile machinery—Brazilian industry plans to invest $4 billion in new plant and equipment by 1990. The diversity of Brazil's import market is illustrated by the myriad of industry sectors with market opportunities. For example, there is good to excellent potential for imports of process controls, analytical and scientific instruments, computers and peripherals, computer software, telecommunications equipment, metalworking equipment, electric power equipment, and aviation. Brazil's import regime uses prior import permits, informal trade barriers, and high tariffs to protect local industry. *Roger Turner, (202) 377-3871.*

**Mexico**—During 1987, Mexico liberalized its trade regulations dramatically. Tariffs were slashed from a maximum of 40 percent to a maximum of 20 percent, the general import fee of 5 percent was suspended, official prices for customs valuation purposes were eliminated, and the list of goods subject to import license requirements was reduced to only 400. The concurrence of Mexico's trade liberalization with the decline in the value of the dollar to a more realistic level offers U.S. firms a great opportunity to expand their market beyond the U.S. border. In addition, most sales contracts are denominated in U.S. dollars, which removes the exchange rate risk often associated with doing business internationally. These factors, coupled with Mexico's proximity to the United States, make this a particularly attractive market for U.S. firms. Product areas with excellent prospects for U.S. firms include: electricity generation equipment; telecommunications equipment; computers, peripherals, and software; oil and gas field equipment and machinery; hotel and restaurant equipment; medical equipment; agricultural equipment and machinery; machine tools and specialized industrial equipment; household and sports-related consumer goods; and agricultural products. *Brian C. Brisson, (202) 377-4464.*

## Africa

**Ghana**—The progress of Ghana's Economic Recovery Program (ERP) has impressed the international community, swelling recent foreign aid pledges to more than $800 million. Aid and credits are financing over half of Ghana's imports. Important sources of opportunities for U.S. exporters of goods and services are through projects financed by international donors such as the World Bank and the African Development Bank. Exporters can best keep track of such prospects by maintaining contact with major donor agencies. Eximbank now offers its programs to support U.S. exports to Ghana. In addition, $30 million of a new Eximbank credit line administered by Standard Chartered Bank has been earmarked for Ghana. There is good potential for a range of U.S. exports to Ghana. The best prospects include: logging, sawmill, and woodworking machinery, mining and smelting equipment, agricultural machinery, food processing equipment, electric distribution equipment, light commercial vehicles, and hotel and restaurant equipment. Opportunities also exist, although in relatively small quantities, for the export of a wide range of raw materials, semi-finished goods, prepared foods and consumer goods. There should also be continued opportunities for sales of selected agricultural commodities, and for a wide range of management, engineering, and consultancy services. *Reginald Biddle, (202) 377-4388.*

**Nigeria**—With more than 100 million people—one-fourth of Africa's entire population—Nigeria presents a market which American exporters cannot afford to overlook. Its commercial climate has improved considerably as a result of major economic reforms over the past two years. Nigeria's previously neglected agricultural sector presents excellent export opportunities for U.S. firms in agribusiness, agricultural equipment, and water resources technology. Food processing and packaging, fisheries, communications, pulp and paper, financial services, transportation, electricity generation, and mining offer American exporters other attractive sales opportunities. Further, the cheaper naira and membership in the Economic Community of West African States (ECOWAS) make Nigeria an important gateway to the entire West African market. Foreign exchange is now available to creditworthy Nigerian companies to import goods and services. However, the U.S. Department of Commerce's Foreign Commercial Service post in Lagos strongly recommends that U.S. exporters, especially those new-to-market, ship only on the basis of an irrevocable letter of credit confirmed by a U.S. bank. *Jane B. Buchmiller, (202) 377-4564.*

**Zimbabwe**—Zimbabwe's economy is one of the most developed and diversified in black Africa, boasting a highly developed infrastructure, a competitive mining industry, and a sophisticated manufacturing sector. With 1988 economic growth forecast at 3 to 5 percent, inflation steady at 15 percent, and foreign exchange allocations for imports increasing, the prospects for American exporters look bright. Leading U.S. exports to Zimbabwe are aircraft, computers and peripherals, mechanical shovels, and parts for locomotives and trucks. Good prospects also exist for U.S. exporters in the agricultural sector, which is expected to show real growth of 12 percent in 1988. Zimbabwe's import market for agricultural chemicals is valued at $30 million per year. The market for agricultural equipment—tractors, harvesters, bailers, and irrigation pumps and sprinkler systems—is also strong. Large-scale rehabilitation and development projects pose significant commercial opportunities for U.S. companies. *Tim Gilman, (202) 377-5148.*

# What to EXPORT NOW

Other articles in this issue show that a number of factors are converging to create a window of opportunity for American industries in the world market: more favorable exchange rates, improved product quality, and improved technology. The sum of these factors equals success for U.S. firms that **EXPORT NOW**.

Some industries, such as "commodity" producers, are already reaping the benefits of the price advantage. Others, benefiting from U.S. technological leadership, are expected to have excellent success in the year ahead.

U.S. exports are growing almost four times faster than imports. During the past year, merchandise exports rose 19 percent while imports grew only 5 percent. A good portion of this export growth is coming from small- and medium-sized companies.

Following is a discussion of trends in several leading export industries.

## Aerospace

Aerospace has maintained a strong competitive posture in the international arena. Products in this industry include aircraft, missiles, and space vehicles. This industry continues to be the leading positive contributor to the U.S. balance of trade among all merchandise industries, including agriculture. Last year the value of its exports rose to $23.5 billion.

Foreign markets have always been an important part of the customer base for U.S. civil aircraft products, typically accounting for more than half the value of total industry shipments. The top four customers have been the United Kingdom, Japan, France, and Germany. Another source of the aerospace industry's strength in overseas markets has been helicopters. Despite the influx of foreign helicopters into the U.S. market, the value of U.S. exports of helicopters has consistently exceeded the value of imports. In 1987, the civil helicopter sector recorded a trade surplus of $140 million.

The decline of the U.S. dollar in international monetary markets is helping to keep general aviation and civil helicopter exports buoyant. The shift in the value of the U.S. dollar has had a less demonstrative effect on certain other aircraft sectors, where the foreign competition also prices its products in dollars.

The export market for U.S. military aerospace equipment has also been growing steadily and rose to almost $7.7 billion in 1987. In addition, foreign purchases accounted for more than a third of the total value of aircraft parts' deliveries. Japan, one of the best customers for U.S. civil and military aircraft, is also the top export market for parts.

Prospects are bright for U.S. aerospace trade in 1988. The industry is expected to record a trade surplus in excess of $13 billion, with exports expected to again exceed $23 billion. *Richard Cohen, (202) 377-8228.*

*737s are shown on the assembly line at Boeing's plant in Renton, Wash., a suburb of Seattle. Prospects are bright for U.S. aerospace trade.*

## Computer Equipment and Software

A more favorable exchange rate has had a stimulating effect on exports of computer equipment. It is projected that in 1988, the computer equipment surplus will be close to $3 billion. Exports of central processing units increased nearly 30 percent in value during 1987, and exports of peripheral equipment were up 20 percent, as were overall exports of computer equipment.

In 1985, for the first time in the industry's history, more people were involved in developing software than in manufacturing computer equipment in the United States. The shift reflects the growing importance of software as a competitive factor in computer markets worldwide. U.S. software suppliers are the leaders for now, although competition from foreign suppliers is stiffening.

The most active segment and the one with the largest revenues in 1987 was packaged software for medium-and small-scale computers. U.S. software vendors expanded their presence in foreign markets, and foreign sales generated 45 percent of their total revenues, outpacing the growth in domestic sales. A significant factor in the revenue increase was attributable to the falling U.S. dollar.

U.S. manufacturers have produced roughly 80 percent of the supercomputers in use throughout the world. Interestingly, Japan is the largest market for them, after the United States. Last year, exports to Western Europe were up sharply and accounted for nearly half the 60 units delivered worldwide. *John McPhee, (202) 377-0572.*

## Industrial and Scientific Instruments

Traditionally, exports have been an important source of income for the U.S. instrument industry. Beginning in 1982, however, the rapid rate of increase in exports of these products began to slow. Not only did U.S. manufacturers have difficulties selling abroad, but also, overseas suppliers began making significant inroads into the U.S. market. Between 1983 and 1986, the U.S. share of the domestic market fell from 90 to 85 percent. In 1987 this trend began to reverse, and the U.S. trade surplus in industrial and scientific instruments increased.

Much of the improvement resulted from growing exports to Western Europe, as steady economic expansion in most countries and improved price competitiveness led to renewed demand. U.S. sales to all of Western Europe advanced close to 7 percent in 1987 to a level of $2.4 billion. Sales to Latin America also showed healthy growth, largely because of the rapid expansion of exports to Mexico, which has gradually opened its market to increased foreign competition by further reducing trade barriers. U.S. sales to Japan grew slightly in 1987, after years of a constantly growing trade deficit. This suggests that, given the right economic circumstances, U.S. suppliers could improve their competitive position vis-à-vis the Japanese. *Margaret Donnelly, (202) 377-5466.*

## Medical Equipment

The world market for medical equipment is expected to increase to over $36 billion this year, having grown at an average annual rate of 9 percent since 1982. The United States dominates the world market with a 62 percent share. The U.S. surplus for these products in 1988 is expected to reach $1 billion. More favorable exchange rates and stronger demand abroad have promoted growth in exports of medical equipment. Exports in 1987 topped $3 billion, up almost 16 percent over 1986, and are expected to grow 13 percent in value in 1988. Large medical instrument manufacturers, citing the trade benefits of a more favorable exchange rate, are emphasizing overseas expansion. *Michael Fuchs, (202) 377-0550.*

## Pharmaceuticals

Close to 10 percent of the total value of U.S.-produced pharmaceuticals was exported in 1987. In 1986 the U.S. pharmaceuticals industry had worldwide sales of $40 billion in a global market that exceeded $90 billion. Exports of these products are expected to increase in the future due to approval in 1987 of 10 of the 24 applications to export drug products not approved for domestic sale.

Exporters claim that the world market for clinical diagnostics will grow at a rate of 9 percent a year to a level of $6 billion in five years. Major growth will come from testing for immunodeficiency diseases (such as AIDS), endocrine system dysfunction, and infectious diseases, as well as clinical chemistry work.

Producers of medicinals and botanicals are expected to increase exports almost 11 percent in 1988, to over $2 billion. The value of exports of pharmaceutical preparations increased to $660 million in 1987.

## Travel & Tourism

Tourism is the largest source of export earnings from tradable services for the United States. In 1987, according to the World Tourism Organization, worldwide international tourism arrivals were about 355 million, with total receipts of $150 billion (excluding expenditures on transportation). The United States garnered 10.3 percent of these global travel earnings.

Tourism is a primary component of America's service-based economy. The services sector accounts for more than two-thirds of the gross national product and 75 percent of total employment. The U.S. Department of Labor predicts that, in the next decade, nine out of every ten new jobs created will be in the service industries.

In 1987, the United States earned about $19.5 billion from sales of goods and services to approximately 29 million international visitors. Combined U.S. earnings of $292 billion from international and domestic travelers make tourism this country's third largest retail industry, ranking among the top three employers in 39 of the 50 states. It is the second largest private employer in the United States, directly providing jobs for about 5.5 million Americans.

America's competitiveness in the international travel marketplace has improved significantly since early 1985. The more competitive dollar, low promotional fares on international routes, and increased cooperative marketing abroad have created a very favorable situation for a stronger flow of inbound travelers. In 1987, the United States enjoyed a 14 percent rise in foreign arrivals, the largest annual increase ever. Visitors from overseas countries (not including Canada and Mexico) rose 19 percent, with Japanese arrivals up 29 percent, the British up 20 percent, and German visitors up 45 percent. Another expansion of 11 percent in arrivals from overseas nations is expected for 1988. *Lee Wells, (202) 377-4003.*

* * *

*Many industries make "commodity-type" products, those which are homogeneous and sold on a price basis, and are not a beneficiary of technological leadership. They are price-sensitive, and include such products as rubber and plastic materials, and the organic chemicals from which they are derived, and intermediate products requiring further processing into consumer-usable items. The following "commodity" industries have particularly good export prospects.*

## Forest Products

Two segments of the forest products industry, U.S. hardwood log and lumber, and paper pulp, should benefit from better exchange rates in the immediate future.

U.S. hardwood log and lumber exports to South Korea, Taiwan, and Japan rose as wood processing industries in those countries sought replacements for curtailed shipments of tropical hardwood logs from Indonesia, the Philippines, and other traditional Southeast Asian suppliers. Wood product exports to Japan, South Korea, and Taiwan also benefited from tariff concessions gained in government-to-government negotiations.

Exports by the logging industry were up 9 percent in 1987, to about $1.4 billion. About 3.8 billion board feet of sawlogs and veneer logs were exported, roughly 6 percent of total log production. A 5 percent increase is expected in 1988.

The value of hardwood lumber exports increased by 36 percent in 1986, while the value of softwood lumber export sales grew 30 percent, and similar increases were estimated for 1987. This strong market has led to investment by the mills in new technology, which should make the industry even more competitive internationally in the future.

During 1987, U.S. softwood plywood and veneer producers continued to make strong gains in the world market. Industry-sponsored foreign market development programs, better exchange rates, and increased demand in most importing countries have enhanced export opportunities. Exports totaled $194 million in 1987, compared to $147 million in 1986 and $85 million in 1985, a 129 percent increase in the two-year period. Overseas markets accounted for 5 percent of the total output. Increased market access in a number of our leading export markets has also been beneficial to American plywood producers. *Chris Kristensen, (202) 377-0384.*

**'Industrial Outlook' Has More Information**

**Want to know more about prospects for U.S. industries? Names and phone numbers of contacts in the U.S. Department of Commerce are included with the summary of each industry on these pages. In addition, the *1988 U.S. Industrial Outlook* is filled with data and forecasts for more than 350 manufacturing and service industries. Copies are available at $24 each from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Please specify stock number 003-009-00522-1.**

## Organic Chemicals

More than 90 percent of all organic chemicals are derived from petroleum or natural gas. The rest are based on coal or agricultural products. The value of exports of these products in 1988 is expected to increase to over $8 billion, up more than 8 percent from 1987. This figure has been climbing since 1985, the year in which the dollar began to fall. About 17 percent of total U.S. production will be sold abroad, the third consecutive year of increase in this figure.

Exports of synthetic rubber increased by more than $100 million, or 15 percent, in 1987. The industry exported about 27 percent of its output in 1987 and should ship nearly 30 percent in 1988 because of the exchange rate of the dollar relative to major West European and Japanese currencies.

Plastic resins, produced by processing petrochemical feedstocks and intermediate chemicals, are widely used in packaging. The automobile producers and the construction industry are also important customers. Exports of these materials rose 2.6 percent in 1987, with Canada receiving about 14 percent of all such exports in 1987. The United States should maintain its technological lead in the global marketplace for engineering plastics, a small but growing segment of this industry which produces alloys, blends, additives, and composites of plastics tailored for specific customer requirements. *Vincent Kamenicky, (202) 377-0128.*

## Paper Pulp

The United States has traditionally exported large quantities of market pulp. The lower value of the U.S. dollar, which boosted exports of this product in 1986, also aided U.S. suppliers in 1987. With the exception of Canada, the United States maintained a slight price advantage over most world market pulp suppliers. Market pulp exports jumped 20 percent in value, from $1.75 billion to $2.08 billion. The United States ships market pulp to 76 countries worldwide. *Chris Kristensen, (202) 377-0384.*

## Industries Have a Channel To U.S. Trade Policymakers

A channel to government trade policymakers is available to U.S. industries: the Industry Consultations Program for Trade Policy Matters, sponsored by the U.S. Department of Commerce and the U.S. Trade Representative and administered by the Commerce Department's Trade Advisory Center.

The program includes a Policy Advisory Committee, a Committee of Chairmen of Industry Advisory Committees, 17 Industry Sector Advisory Committees, and three Industry Functional Advisory Committees, with a total membership of about 600.

To strengthen the international trading system, the committees are providing advice on the current Uruguay Round of multilateral trade negotiations.

The program was established under the Trade Act of 1974 to provide advice on objectives and bargaining positions for the Multilateral Trade Negotiations (MTN).

The Trade Advisory Center serves as a central contact point for the private sector on trade problems and as a channel to the advisory committees and U.S. trade policymakers for all interested parties not directly represented on the committees. Telephone: (202) 377-3268.

# How to EXPORT Your Products NOW

Exporting is practical and profitable—not just for giant corporations, but also for small and medium-sized firms with far more limited resources. In fact, almost any U.S. firm with a good product or service to sell may have real export potential. However, many firms that are successful in the U.S. market are uncertain where to begin when it comes to trading with other countries. Some over-estimate the problems that are involved in exporting while others make it unnecessarily complicated. The five steps discussed below will allow a company's first "venture into exporting" to take off on a smooth, orderly course.

## Assess Your Export Potential

Since exporting requires an extension of a firm's resources, it is important you first **assess your export potential**. This assessment should include a look at industry trends, the firm's domestic position in the industry, the effects exporting may have on present operations, the status of resources, and the anticipated export potential of the product.

## Get Expert Counseling

Once a company has assessed its export potential and made a firm decision to commit time and resources, the next step is to **get expert counseling and assistance immediately.**

The nearest district office of the International Trade Administration within the U.S. Department of Commerce is a logical starting point for any company that needs international marketing assistance or technical product information. The district office offers a local businessperson all of the Department's varied trade resources and services and can help with matters pertaining to other government agencies. It can tell a firm about trade and investment opportunities abroad, foreign markets for U.S. products and services, financing aid to exporters, tax advantages of exporting, international trade exhibitions, export documentation requirements, and much more. In fact, the local district office can be a "one stop" counseling service, since its trade specialists can help with every phase of the export process from assessing export potential to placement of the product in the foreign market. (See page 6 for a list of all district offices and telephone numbers and pages 6–12 for rundown of federal export programs.)

State development agencies, state departments of commerce, and other departments within state government entities often provide additional valuable assistance to exporters. The aid offered by these groups typically includes export education, marketing assistance, market development, trade missions, and trade shows. (See page 26 for state contacts.)

Many other groups, both in government and the private sector, stand ready to lend experienced, expert guidance to companies that are starting an export trade. For instance, many commercial banks can perform the following services for their clients: advise on export regulations; assist in financing exports; collect foreign invoices, drafts, letters of credit, and other foreign receivables; transfer funds to other countries; write letters of introduction and letters of credit for travelers; and provide credit information on potential buyers overseas.

Industry trade associations are also useful. They provide companies with numerous special services including the opportunity to meet experienced exporters. Experienced firms—sometimes even direct competitors—can be among the most valuable sources of information for new exporters. Finally, private consulting firms and the business departments within major universities should also be considered a source of additional information.

## Select Market(s)

After a firm is armed with expert counseling, it must **select one or two "ideal" markets from the hundreds available.** Obviously, this choice will have an immediate impact on the organization of your company's export operation. Language and cultural differences, special trade regulations, local competition and economic conditions, and other vital factors must be evaluated to maximize success abroad.

Once again, the U.S. Department of Commerce's district offices are an excellent place to begin. The Commerce Department offers a wide range of market research programs. In addition, the Department employs a global network of U.S. Foreign Commercial Service Officers and other international trade specialists who conduct overseas market research and gather commercial data of broad interest to U.S. exporters. The Commerce Department also offers a variety of trade promotion programs that help new exporters test foreign markets and evaluate their export potential within a specific geographical area.

Other sources that are helpful to firms involved in selecting potential markets include the business departments of universities, consulting firms, and market research groups.

## Formulate An Export Strategy

Step four in the export venture is to **formulate an export strategy**. In general, a successful export marketing strategy identifies and correlates at least four factors that jointly determine the most suitable kind of export operation: 1) the firm's export objectives, both immediate and long range; 2) specific tactics the firm will use; 3) scheduling of activities, deadlines, etc., that reflect chosen objectives and tactics; and 4) allocation of resources among scheduled activities.

The marketing plan and schedule of activities should cover a 2-to-5-year period, depending on the kind of product exported, the strength of competitors, conditions in the target markets, and other factors. As you shape your export marketing plan, it is a good idea to prepare a written draft or outline of each important stage in your formulations. By the time the plan has assumed final form, the written draft should be as

definite, clear, and polished as a binding contract. This plan will then guide your export operation, step by step, until your company is firmly and successfully established in its chosen market(s).

A clearly written marketing strategy offers three immediate benefits not provided by an informal plan: 1) A written plan displays strengths and weaknesses more readily, which will be helpful in formulating and polishing an export strategy. 2) A written plan is not as easily forgotten, overlooked, or ignored by those charged with executing them. 3) A written plan is easier to communicate to others and more difficult to misunderstand.

For the same reasons, it is important that every employee with a major role in formulating export policy or directing export operations be given a copy of the written plan. And, of course, they should also be kept current on any subsequent changes.

## Select A Selling Technique

After investigating and selecting foreign markets for your products, the fifth step in an export venture is to **select a selling technique.** There are two basic selling techniques in exporting: indirect and direct selling. The decision to market products directly or, alternatively, to utilize the services of an intermediary should be made on the basis of several important factors: the size of the firm, the nature of its product(s), previous export experience and expertise, and business conditions in the selected overseas market(s).

In direct selling, the U.S. firm deals with a foreign importer and is usually responsible for shipping the products overseas. However, direct selling may include utilizing the services of foreign sales representatives or agents. In selecting the method, the product involved and the way it is marketed in the United States will provide a clue as to how it might be marketed internationally. The customary business methods and established channels of distribution in targeted foreign countries may also have a bearing on the marketing channel selected. The following are some of the available methods.

**Sales Representatives or Agents**—A foreign sales representative is the equivalent of a U.S. manufacturer's representative. Product literature and samples are used to present the product to potential buyers. The sales representative usually works on a commission basis, assumes no risk or responsibility, and is under contract for a definite period of time (renewable by mutual agreement). The contract defines territory, forms of sale, method of compensation, and other details. The sales representative may operate on either an exclusive or nonexclusive basis.

**Distributors**—The foreign distributor is a merchant who purchases merchandise from a U.S. manufacturer at the greatest possible discount and resells it at a profit. If the product being sold requires periodic servicing, this may well be the preferred arrangement. The prospective distributor should be willing to carry a sufficient supply of spare parts and to maintain adequate facilities and personnel for normal servicing operations. Since the distributor buys for its own account, it is easier for the U.S. manufacturer to establish a credit pattern so that more flexible or convenient payment terms can be offered. As with a sales representative, the length of association is established by contract, which can be renewed if the arrangement proves satisfactory.

**Foreign Retailer**—Generally limited to consumer lines, this method relies mainly on traveling sales representatives who directly contact the foreign retailer, though (depending on the product) similar results may be accomplished by mailing catalogs, brochures, or other literature. However, though the direct mail approach can eliminate commissions and traveling expenses, a firm that uses it may find that its proposal is not receiving proper consideration.

**Direct Sales to End-Users**—This method is limited and, again, depends on the product. Opportunities often arise from advertisements placed in magazines that receive overseas distribution. Often, however, this can create difficulties because casual inquirers may not be fully aware of their countries' foreign trade regulations. It may thus occur, for various legal reasons, that the inquirer is unable to receive merchandise upon arrival, thus causing it to be impounded and possibly sold at public auction, or returned on a freight collect basis that could prove costly.

**State-Controlled Trading Companies**—Some countries have state trading monopolies, and business is conducted by a few government-sanctioned and controlled trading entities. Because of worldwide changes in foreign policy and their effect on trade between countries, these regions may become important future markets. For the time being, however, most export opportunities will be limited to such items as raw materials, agricultural machinery, manufacturing equipment, and technical instruments, rather than consumer or household goods.

In the indirect selling method, the U.S. firm with a product to export relies on another firm that acts as a sales intermediary and normally will assume responsibility for marketing and shipping the products overseas. The principal advantage to indirect marketing is that it gives a smaller firm with little export expertise a way to penetrate foreign markets without having to get directly involved in the complexities of exporting. There are several distinct types of intermediary firms, each with its own advantages for the manufacturer.

**Commission Agents**—Commission or buying agents are "finders" for foreign firms that want to purchase U.S. products. They seek to obtain the desired items at the lowest possible price and are paid a commission by their foreign clients.

**Country-Controlled Buying Agents**—These are foreign government agencies or quasi-governmental firms empowered to locate and purchase desired goods.

**Export Management Companies**—EMCs, as they are called, act as the export department for several manufacturers of noncompetitive products. They solicit and transact business in the name of the manufacturers they represent for a commission, salary, or retainer plus commission. Many EMCs will also carry the financing for export sales, ensuring immediate payment for the manufacturer's products.

**Export Trading Companies**—ETCs are firms that purchase U.S. goods for resale in foreign markets. They assume the risk associated with international trade by taking title to the goods domestically and performing subsequent export operations. Economies of scale, often unavailable to the small or medium-sized firm individually, are generated by exporting large volumes of products from many sources at lower per-unit costs through an established network of overseas offices, transportation, insurance, warehousing, etc.

The five steps discussed in this article are the most critical ones for new-to-export firms. They are of course not the only ones, but they will help a new exporter cross the bridge into exporting—from the desire to go international to making a reality of the venture.

# The ABCs of Export Success

*By John Endean*
*Director of Policy Analysis*
*American Business Conference*

Success in exporting is not the preserve of huge multinational corporations. Consider, for example, the experience of the member firms of the American Business Conference (ABC). ABC consists of 100 fast-growing firms with revenues between $10 million and $2 billion. ABC companies have enjoyed unusual success in the world market. Between 1984 and 1986, their exports grew at a compounded annual growth rate of 21 percent—ten times the rate of other publicly-held companies of comparable size.

Last year, under the guidance of the management consulting firm of McKinsey & Company, ABC staff members spent nine months studying the international businesses of ABC companies. Although no two ABC companies took precisely the same route to international success, certain common characteristics did emerge during the course of the study that helped to explain why ABC firms are flourishing abroad. These characteristics might be called the "ABCs of export success." Five were especially notable.

1) **Product excellence**—As the Chairman of the American Business Conference, Arthur Levitt, Jr. has observed, "Excellence travels well. Undergirding any successful export strategy is a determination to sell a product people want to buy." Dedication to serving international markets with the best possible product characterizes ABC firms. From Cray supercomputers to Cross pens to Stryker medical products, ABC manufacturers offer what the world demands.

2) **Marketing excellence**—Products of quality will not sell if they are poorly marketed. Recognizing Japan's fascination with American popular culture, Brown-Forman cracked the Japanese market by identifying its California Coolers and Jack Daniels bourbon as classic Americana. Loctite, a manufacturer of industrial and household adhesives, charmed French customers for its Super Glue with an advertisement showing a beautiful young woman repairing a rip in her miniskirt. Less provocatively, perhaps, ABC's high-tech firms pay close attention to changing engineering standards in dozens of foreign markets and modify their products accordingly.

3) **Getting started early**—A distinctive feature of the leading international ABC companies is how early they "went international." Millipore, a manufacturer of advanced filtration systems, began exporting when its total sales were less than $10 million. Analog Devices, a manufacturer of linear integrated circuits, found foreign customers before the entire company reached the $1 million revenue mark. These and other ABC companies recognized early that they wished to be players in a world market.

4) **Incremental expansion**—A company need not "bet the ranch" on exporting. ABC companies typically expanded their international businesses incrementally. They began by entering markets most nearly compatible to our own such as Canada and the United Kingdom. Penetration of more challenging markets followed. Further, at no one time did they take too great a financial risk. By keeping their investments modest and their companies lean and flexible, they nurtured their efforts carefully. It is no accident that 64 percent of the international ventures of ABC companies were profitable within one year and 76 percent within two years.

5) **Organizational commitment**—Companies must want to win internationally. A commitment to that goal begins at the top. Virtually without exception, the chief executive officers of ABC firms led their companies into the world market. These CEOs had the vision and persistence to tap opportunities abroad, find the appropriate foreign distribution channels, and cut through red tape to get their product to market. This takes time: nearly one-half of all ABC chief executives spend more than 20 percent of their working hours on international business matters; for one out of ten, the proportion exceeds 40 percent.

Managerial commitment, prudent risk-taking, incremental growth, excellence in product and marketing—none of these ABCs of exporting are surprising or counterintuitive. They are the components of business success everywhere. To a very great extent, in other words, what works in Peoria works in Paris as well.

The only missing ingredient for many small and mid-size firms is a willingness to try. Now more than at any other time in recent memory, conditions are ripe for fledgling exporters. As Arthur Levitt has said, "With the dollar at a more competitive level and with government programs such as **EXPORT NOW** in place to provide advice, America's entrepreneurial companies can be competitive internationally. As the example of ABC firms demonstrates, there are profits to be made abroad and, from the standpoint of the economy as a whole, a real opportunity to put a dent in the trade deficit."

# EXPORT NOW "8 in 88"

The Department of Commerce is spotlighting eight programs in 1988 that are a valuable part of the already enormous list of services available to new and experienced exporters. Though not all of the programs are being introduced this year, they will receive a stronger emphasis in 1988 as the devaluation in the dollar favors United States exporters.

## Comparison Shopping Service

The Comparison Shopping Service (CSS) provides a custom market survey on a U.S. client firm's specific product in a selected country. It provides the firm with concise answers to key questions on its product's overall marketability, the names of competitors, comparative prices, customary entry/distribution/promotion practices, competitiveness, and trade barriers.

Each CSS Survey covers a single product in a single country market. Surveys to date have covered products ranging from ordinary consumer items to high-tech devices for the institutional market.

The surveys are conducted by resident Managers of Research and Analysis (MRAs) who are members of the US&FCS overseas staff in the target market countries.

The CSS was launched on a limited basis almost two years ago and is currently available in 15 countries: Australia, Brazil, Canada, Colombia, France, Germany, India, Indonesia, Italy, Korea, Mexico, Philippines, Saudi Arabia, Singapore, and the United Kingdom. Plans are under way to extend the CSS to additional countries.

To obtain a Comparison Shopping Service survey or to get more information about the program, contact your local district office (listing is on page 6).

## Matchmaker Events

Matchmaker Trade Delegations introduce U.S. companies to new markets through short, inexpensive overseas visits. The objective of the trips is to match U.S. firms with representatives or prospective joint venture/licensee partners who share common products or service interests. Participating firms have the opportunity to learn the important aspects of doing business in specific countries and to make key contacts.

In 1987, five Matchmaker Trade Delegations traveled to seven overseas cities, and more than 150 companies participated. The highlight for the year was the Matchmaker to London and Paris in which more than 85 U.S. firms took part. One-third of those companies were new-to-export, and two-thirds have annual sales of $5 million or less. Participants reported over 500 representation/joint venture leads, 500 sales leads, and more than $500,000 in actual sales. For 1988, the scheduled number has been increased to nine.

For more information on Matchmaker events scheduled for 1988, call your district office (see page 6).

## "Hot" TOP

The US&FCS has implemented a pilot program called "Hot" TOP as part of its Trade Opportunities Program (TOP). Under the "regular" TOP, commercial officers around the world report foreign trade opportunity leads directly to US&FCS headquarters in Washington. Within 24 hours, the US&FCS electronically distributes these TOP leads—including "Hot" TOPs—to the private sector for their use or for further dissemination in printed or electronic form throughout the U.S. business community.

A "Hot" TOP is a trade lead determined by the overseas commercial staff to be of the highest quality and to have the greatest export potential for U.S. companies. District offices give these leads priority handling and intensive follow-up with firms in their areas.

The program has been operating in 10 countries during this pilot phase. Because of the success of the pilot program, US&FCS plans to expand the "Hot" TOP program to include more countries and leads.

For more information on the TOP or "Hot" TOP program contact your local district office at the Department of Commerce (listing is on page 6).

## STELA

STELA (System for Tracking Export License Applications) answers the question most frequently asked by business: 'What is the status of my license application?' Call STELA for a brief recorded message with an up-to-the-minute status report on your case. STELA's automated voice response system can be accessed using a push-button phone. STELA can give exporters authority to ship their goods for those applications approved without conditions. For information about STELA, call (202) 377-2753.

To contact STELA, using a push button phone, dial (202) 377-2752. Wait for STELA to prompt; then punch in your export license application Case Number. Use pound sign (#) to end the call.

## ELAIN

ELAIN (Export License Application and Information Network) is now on line. ELAIN's electronic data transfer and processing offers America's exporters a fast and convenient way to submit license applications to Commerce. This time-saving service accepts export license applications electronically for all free world destinations. On receipt via CompuServe, Commerce will review, process, and issue the license electronically for all commodities except supercomputers. ELAIN is open 24 hours a day, 7 days a week. For information on the ELAIN service, call (202) 377-8540 or 377-4811. For information on the CompuServe part of the service, call (202) 524-6900.

## USTTA Regional Conferences

Now is an ideal time for the American tourism industry to expand its participation in the export market. Tourism is America's largest business export; it generated $19 billion in international trade receipts for 1987. To encourage U.S. firms to take advantage of this unique opportunity and to export now, the United States Travel and Tourism Administration has organized regional travel conferences throughout the country for 1988. The conferences are designed to bring new travel destinations and services to the export market. They will provide direct guidance to businesses and state and local travel commissions on ways to sell their tourism products overseas. In addition, at each conference an international marketing committee will be organized to establish plans and make recommendations that will enable the travel industry in each region to participate more fully in the export market. The schedule of planned **EXPORT NOW** USTTA Conferences is:

**New England Region**—April 28, Providence, R.I. Contact: David C. DePetrillo, Rhode Island Department of Economic Development, (401) 277-2601. **George Washington Country**—May 3-4, Regional Conference, Martinsburg, W. Va. Contact: Michael Herron, W. Va. Dept of Commerce, (314) 348-2286 or Amy Berger, Sen. Jay Rockefeller's Office, Washington, D.C., (202) 224-6472. **Eastern Gateway**—May 10, place to be announced. Contact: Ida Jones, New York Convention & Visitor's Bureau, (212) 397-8252. **Niagara Falls, N.Y.**—May 11, place to be announced. Contact: Louise Jones-Takata, New York State Dept. of Commerce, (212) 309-0536. **America's Heartland**—June 6, place to be announced. Contact: Marjorie Beenders, Missouri Division of Tourism, (314) 751-4133. **Travel South**—June, place to be announced. Contact: Patrick McMahon, Virginia Division of Tourism, (804) 786-2051. **Foremost West**—September, place to be announced. Contact: Brad Smith, Foremost West, (801) 532-3113. **Old West Trail**—September, place to be announced. Contact: Susan Edwards, South Dakota Division of Tourism, (605) 733-3301.

## EUROPE NOW

The EUROPE NOW program emphasizes that more American firms should be selling their products and services to Europe now to take advantage of growing European economies and the 42 percent reduction in the value of the dollar against European currencies since 1985.

The program also stresses that now is the time to initiate expanded marketing plans for Europe as the 12-member European Economic Community is moving rapidly towards becoming a fully integrated, barrier-free internal market of 320 million consumers. U.S. companies that do not act now, enter the European market, and become fully established could easily risk being shut out of the $85 billion market by 1992.

EUROPE NOW is a Department of Commerce promotional program designed to assist American firms sell their products and services in European markets. This program seeks to match motivated U.S. companies with promising market opportunities in Western Europe.

Any U.S. firm interested in exporting to Europe or in obtaining more information on the program should write: EUROPE NOW Program Manager, Room 3045, U.S. Department of Commerce, Washington, D.C., 20230, or contact Marv Belden at (202) 377-2086. Firms that have indicated an interest in the EUROPE NOW program will be contacted by a Commerce European country specialist who will help the firm develop an export strategy to penetrate one or more European markets.

## ETC/EMC Outreach Effort

In 1988, more than ever before, the Commerce Department is stressing the usefulness of both Export Trading Companies and Export Management Companies. Trading intermediaries such as these provide exporters with many benefits and can assume much of the risk of exporting.

Firms that band together under the ETC Act can share marketing and management expertise, exporting skills, and receive antitrust protection for their joint export activities. Companies of all sizes and in a wide variety of industries can benefit from such an arrangement. The Office of Export Trading Company Affairs in the Department of Commerce is working with eight industries in promising export sectors that could particularly benefit in 1988 from forming an export trading company. The eight industries are automotive parts, book publishing, electronics, food machinery, semiconductor materials and equipment, solid wood products, industrial textiles, and tourism. The Office will show these industries how to expand their export sales by taking advantage of the ETC Act. Federal, state, and private sector experts will work with them on how best to structure a joint export trading venture.

For details, contact John Stiner in the Office of Export Trading Company Affairs at (202) 377-5131.

# EXPORT NOW Port Authorities Move More Than Cargo

Port authorities are moving more than just cargo. They are moving companies successfully into foreign markets through a variety of one-stop services that take the mystery out of exporting. Besides making sure that shipments move quickly and cost-effectively to foreign buyers, port authorities offer timely marketing, finance, transportation, and other information designed specifically to find a niche for their customers. Following are summaries of what a few port authorities are doing to help exporters in their areas. The information was provided by the individual port authorities. Additional information about port authorities and the services they provide may be obtained from the American Association of Port Authorities, 1010 Duke St., Alexandria, Va. 22314; (703) 684-5700.

### XPORT (New York/New Jersey)

XPORT, the first operational public export trading company, has rapidly gained recognition as an important catalyst in encouraging manufacturers to enter the export market or increase their volume of exports. Tailor-made for small- and medium-sized firms, XPORT is a trading company operated by the Port Authority of New York and New Jersey. XPORT cooperates with the U.S. and Foreign Commercial Service's New York District Office to offer a practical means of exporting.

XPORT researches key potential markets and conducts promotional activities such as press releases and new product releases, advertising, direct mail campaigns, telex campaigns, and trade show organization and participation. It acts as the direct contact with foreign buyers through foreign sales trips to promote the products of XPORT's supplier companies. XPORT product managers will make calls and distribute literature and samples on behalf of supplier companies when they travel abroad. In addition, XPORT fully monitors and manages distributors and agents.

The Port Authority has trade development offices in London, Zurich, and Tokyo. These offices assist XPORT in research projects, act as liaison with customers, and maintain government contacts.

XPORT works closely with federal and local government agencies and has established relationships with local freight forwarders and banks in order to obtain the best services for exporters. XPORT will advise suppliers on financing and payment terms, bidding on government tenders, bid bonds, performance bonds, turnkey projects, licensing, technology transfers, and requirements of certifying a product for sale abroad. The Authority also provides financing through the New York Job Development Authority, foreign credit insurance, marine cargo insurance, export licensing help, and Carnet services, which simplify the procedures and time required for Carnet requests.

Several trade missions are organized each year; they include about eight to ten companies, selected by product or industry and directed toward the most promising foreign markets.

*The Port Authority of New York and New Jersey*
*Herbert Ouida, Director, XPORT*
*One World Trade Center, 63rd Floor, East*
*New York, N.Y. 10048*
*(212) 432-0297*

### Mississippi and Louisiana

The Port of Pascagoula and the Louisiana Port Commission are gearing up for the expected increase in trade volume from EXPORT NOW. The Port of Pascagoula markets its Foreign Trade Zone capabilities which include direct access to open shipping lanes and overnight reach to many of North America's major consumer markets. The advantage—to both domestic and foreign business firms—is the ability to process foreign-made goods into products for domestic and foreign sale free of import duty.

As part of a long-range economic development plan, the Louisiana Port Commission offers local governments matching funds to identify industries in its tri-parish area. The Commission plans to use this information as part of a trade marketing program promoting local industries in Korea, Taiwan, and Italy, and other countries where a strong trade link already exists. A strong transportation infrastructure, a Foreign Trade Zone for assembly and distribution, and a developing chemical industry are potential advantages the Commission will be marketing to attract overseas business.

*Jackson County Port Authority*
*Paul Smith, Port Director*
*P.O. Box 70*
*Pascagoula, Miss. 39567*
*(601) 762-4041*

*South Louisiana Port Commission*
*Earl White, Assistant Director for Port Development*
*152 Belle Terre Boulevard, Suite 100*
*LaPlace, La. 70069*
*(504) 652-9295*

## VEXTRAC (Virginia)

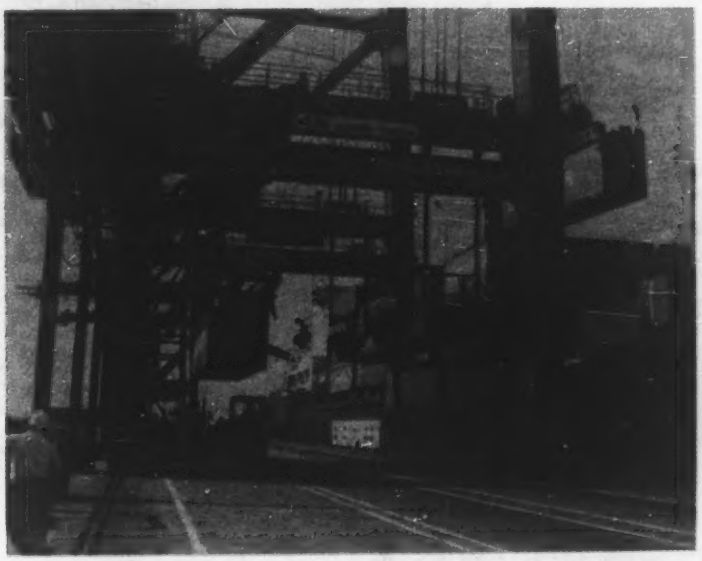
In 1983, the Virginia Port Authority established VEXTRAC: the Virginia Export Trading Company to bring first-time exporters together with other trading partners across the state. Officially certified by the Commerce Department, VEXTRAC has three overseas marketing offices, trade information exchange agreements with several European ports and a South American company, communications equipment including TELEX, TWX, and "800" telephone service, and extensive information about selling to the markets of the world. In addition, VEXTRAC staff members have been working with the U.S. Department of Commerce to help small- and medium-sized businesses identify market potential and marketplaces. Businesses not presently exporting or not financially able to hire trade advisers will benefit most from VEXTRAC's services. VEXTRAC's staff also offers help in linking businesses with current programs sponsored by other federal agencies. The result of these marketing efforts is a match of Virginia and domestic sellers with overseas buyers.

VEXTRAC's financial services include information about the dynamic financial programs being offered to exporters and importers by the federal government. With the government's support for increased exports, increased export financing is offered by agencies such as the Small Business Administration, the Export-Import Bank, the Department of Agriculture, and the Agency for International Development.

In addition, VEXTRAC offers information about the state's private-sector banks with international departments. In both the public and private financial sectors, VEXTRAC is able to recommend and guide clients to the programs appropriate to their individual circumstances.

VEXTRAC can direct transportation for exports and imports. The Virginia Port Authority (VPA) owns the major general cargo terminals in Hampton Roads. Through its affiliate, Virginia International Terminals, Inc., the VPA has direct input concerning terminal handling of cargo and related charges. The VPA's traffic department houses information which includes constantly updated rates on railroad, steamship, and trucking services. All of these resources are used by VEXTRAC in an effort to get goods to their destinations.

*Virginia Port Authority*
*M. Barry Owens, Director, Virginia Export Trading Company*
*600 World Trade Center*
*Norfolk, Va. 23510*
*(804) 623-8000*



*VEXTRAC, the Virginia Port Authority's export trading company, can lend assistance in terminal handling of cargo.*

### Massport (Massachusetts)

For over ten years, the Massachusetts Port Authority (Massport) has been helping small- and medium-sized New England companies export their products. Massport's international marketing and trade arm is the Trade Development Unit, which provides technical and promotional assistance to the Port Authority's operating departments and customers to achieve the highest utilization of its facilities.

Hundreds of companies representing numerous industries in the region have been helped by Massport. Presently, Massport's Trade Development Unit is focusing primarily on promoting exports to Western Europe, the Far East, and Latin America and the Caribbean. Massport's office in London assists firms requiring information and trade leads in Europe. Recently, the staff led a trade mission of New England companies participating in the Anuga Food Show in Cologne, Germany. One of the participants has, with Massport's help, followed up on leads gained at the show and will soon be shipping goods regularly to supermarkets and health food stores throughout the United Kingdom. High-tech companies, lumber traders, as well as fish processors are also receiving information on potential buyers and distributors in the United Kingdom, France, Germany, and other European countries. Missions to additional European trade shows are now in the works.

In the Far East, Massport's Tokyo office is not only arranging Japanese buying missions to New England but also researching and qualifying agents and investigating sales opportunities for New England producers. Some of the demand in the Far East for New England's lumber and wood products is being met by log-home, window, door, and furniture manufacturers introduced by Massport to the idea of exporting.

Massport's new Latin American and Caribbean initiative is under way to increase trade between these regions and New England. The first stage of this effort has begun with identification of the resources and services available to exporters and importers as well as a listing of existing traders.

A company interested in exporting can call on Massport to answer a quick question, conduct market-oriented research, or become a long-term client. As a client, the first-time exporter will work with Massport to develop and implement an overseas marketing plan. Massport will guide the company through the export maze, providing the advice and research necessary to make a successful sale—goods delivered and payment received to the satisfaction of buyer and seller.

*Massachusetts Port Authority*
*Andrew Bendheim*
*Director, Trade Development Unit*
*Suite 321*
*Boston World Trade Center*
*Boston, Mass. 02210*
*(617) 439-5560*

### PACRIMEX (Washington)

The Port of Bellingham, Wash. is in the first stages of activating its export trading company. PACRIMEX Inc. is scheduled to begin operations by January 1989.

With an eye on the small producer, PACRIMEX will provide export services, marketing, promotion, consulting, legal assistance, and trade documentation, and will consummate sales. It is authorized to take title to goods.

The Port of Bellingham also recently activated its first foreign trade zone at the Bellingham International Airport's 300-acre industrial park. In addition to that site, the Port has authorization for three other Foreign Trade Zone locations in Whatcom County along the Canadian border—at the Sumas International Cargo Terminal at Sumas, Wash.; at the Blaine Municipal Airport at Blaine, Wash.; and at the Cordata Business Park on Interstate 5 in Bellingham.

*Port of Bellingham*
*Robert Hilpert, Director of Trade Development*
*625 Cornwall Ave.*
*Bellingham, Wash. 98225*
*(206) 676-2500*

### Detroit (Wayne County)

The Detroit/Wayne County Port Authority is working with local firms to promote the export of U.S. products.

In November 1987, the Port Authority, working with the State of Michigan and the Greater Detroit Chamber of Commerce, recruited area firms to participate in the U.S. Products Show sponsored by KOTRA in Seoul, Korea. Thirty Michigan firms took part in the show, along with one staff member from the Port Authority. These firms have already received more than $1 million in contracts linked to the show.

As co-sponsor with Eastern Michigan University in Ypsilanti, the Port Authority encouraged exports through the Partners in Export Promotion Program funded by a U.S. Department of Education grant. The program included three seminars on the various challenges of exporting, a newsletter to participating firms, and surveys of export potential.

The Detroit/Wayne County Port Authority continues to work toward establishing a regularly scheduled ship service between Detroit and Europe in order to facilitate exporting for regional firms. A direct all-water service from Detroit would promote exports by offering the following advantages: a trade route alternative to the coastal ports, ease of handling overweight and specialized cargoes originating from the state of Michigan, and increased control of freight and documentation at the nearby port of shipment.

*Detroit/Wayne County Port Authority*
*James H. Kellow*
*Executive Director for Trade Development*
*200 Renaissance Center, Suite 650*
*Detroit, Mich. 48243*
*(313) 259-8077*

# District Export Councils Share Know-How About Exporting

One of the ways the U.S. Department of Commerce tries to get the private sector involved in its programs and services is through a national support group of 51 District Export Councils (DECs). Nearly 1,800 DEC members, representing a cross section of U.S. businesses, reflect the structure of their local economies. They are successful, motivated business executives with international trade experience who volunteer their time and expertise to foster a greater awareness within their local business communities of the nation's need to export.

DECs initiate ideas for federal export assistance to small business. They provide an outreach mechanism to business people to let them know about the vast array of Commerce Department services and to explain how to get into overseas markets.

DEC members are selected by the Secretary of Commerce; the Director of each ITA district office serves as Executive Secretary of the local DEC. DECs function primarily through specialized committees. For example, a Counseling Committee member will counsel local firms, typically small- and medium-sized firms that could benefit from international trade but do not have the necessary resources or expertise. Other committees formulate legislation or communicate industry views through the district office to the President's Export Council.

DECs are involved in public service programs that emphasize the importance of exporting to profitability and economic growth. Typical activities include public relations efforts, billboard advertising and educational TV programs, development of special export publications, films and video presentations, financial support for studies on exporter motivation and exporter needs, financial support of World Trade Week activities, and development of reports that offer policy suggestions in the field of international trade. In many instances, the DECs cosponsor and provide funding for seminars and conferences conducted by the district offices.

The following highlights of selected activities around the country illustrate some of the ways that DECs help promote U.S. exports.

• **Charleston, W.Va.** —The West Virginia District Export Council has developed a VCR video titled "Selling West Virginia Products Abroad." The 16-minute film, featuring Gov. Arch A. Moore, Jr., offers "how to" tips for potential exporters. The Appalachian Power Company, which produced the video, has placed 20 copies in library and business education departments in schools and colleges; 10 copies are available for loan.

• **Milwaukee**—A toll-free export hotline for Wisconsin businesses has been established by the Wisconsin District Export Council and the Commerce Department's ITA District Office in Milwaukee. The service, based at the district office, is open to all companies desiring to learn about exporting and for those companies already exporting but having trouble in a specific trade area. The hotline number: 1-800-TRADE WI.

• **Hartford, Conn.**—The Connecticut District Export Council has named its three-year-old annual award for students in international trade the "Malcolm Baldrige Scholarship," after the late Secretary of Commerce, a Connecticut resident. The Baldrige family created a second scholarship, through donations made in the Secretary's memory, to encourage manufacturing excellence.

• **Los Angeles** —The Southern California District Export Council publishes a Management Export Manual. The publication, upgraded periodically since it was started in 1976, contains 98 pages of advice on management procedures to be implemented by American companies seeking to begin or expand their exports. The manual sells for $5.

• **Richmond** —The Virginia District Export Council maintains a database of Virginia's international businesspeople who frequently travel overseas and who are willing to share their knowledge of doing business in major overseas markets. Fifty-five major markets are represented, and about 60 experienced exporters have volunteered their services. The Virginia Council also is publishing a third edition of *Defense Procurement Contacts Abroad: A Resource List for U.S. Exporters*; its purpose is to assist Virginia's high-technology sector in obtaining foreign military contracts.

• **Cincinnati** —The Southern Ohio District Export Council developed a program in which Council members each visit CEOs of two high-export potential companies in their own areas. The Council members present the CEOs with an export assistance package prepared by the Commerce Department's ITA District Office in Cincinnati. The CEOs are asked to fill out an Export Expansion Questionnaire; the responses are used to improve export counseling.

• **St. Louis** —The Missouri District Export Council is compiling a directory of the various export services provided by local business and educational organizations. It will be published and distributed to potential exporters in Missouri.

# EXPORTING Pays Off

*A new feature in* Business America *is based on the power of example: a series of interviews with successful U.S. small- and medium-sized exporters. We hope that other companies will be able to use some of the export strategies and techniques that worked for the firms we interviewed. Stories were selected, not because* Business America *endorses a particular firm or its business plans and activities, but because we believe their experiences illustrate what can be done to improve export performance. We invite you to submit your export success story to:* Business America, *Room 4805, U.S. Department of Commerce, Washington, D.C. 20230; tel. (202) 377-3251.*

● **Felton, Calif.**—F. Norman Clark had just $25 in his pocket in 1958 when he founded the Roaring Camp & Big Trees Narrow Gauge Railroad about 80 miles south of San Francisco. The 1880 steampowered train carries tourists on a six-mile trip through the redwood forest. For many years he found it difficult to attract enough tourists to just stay in business. In 1973, Clark consulted the Commerce Department's U.S. Travel and Tourism Administration (USTTA), which promotes tourism to this country from abroad. The following year, the agency arranged for a dozen major Japanese tour operators to ride the old train and have a barbecue dinner around a pot-bellied stove. They were sold on the adventure! Only five months later, one of Japan's largest tour wholesalers started to operate group tours to Roaring Camp; within three years most major Japanese tour operators began bringing Japanese by the thousands for the ride. In 1985, Roaring Camp added another railroad which runs eight miles from the redwoods to the beach at Santa Cruz. Today, the company, operated by Mrs. Georgiana Clark, attracts tour groups from most major nations. International tourism now accounts for more than 10 percent of the company's gross revenues of $1.3 million.

● **Valley Center, Kans.**—To get started in exporting, B&D Instruments, Inc., manufacturer of aircraft products, listed itself in 1976 in the *World Aviation Directory*, distributed to aviation interests worldwide. Its first export order came from an aircraft manufacturer in Madrid, Spain. The 55-employee firm advertises in other aircraft trade journals and also in the U.S. Department of Commerce's publication, *Commercial News USA*. Today, B&D has 47 dealers in 27 countries and exports one-fourth of its production. B&D works with the Wichita branch office of the U.S. Department of Commerce (ITA) District Office in Kansas City, Mo.

● **Metairie, La.**—Freeman Engineering & Associates, Inc., observing a shift in this country away from its product—cellular telephones—looked overseas. The 12-person company found that in countries with a developing communication industry, there continues to be a need for more basic telephone systems that are less expensive and easier to maintain and that do not require sophisticated technical skills to operate. Freeman made its first overseas sale to China and is exploring markets in New Guinea and the Middle East. The U.S. Department of Commerce (ITA) District Office in New Orleans helped Freeman Engineering get started by giving the firm the names of prospective customers in China and New Guinea.

● **Greensboro, N.C.**—Electrical South Inc., manufacturer of solid state AC motor controls using microprocessor-based technology, attributes much of its success in selling abroad to a policy of responding to all export inquiries within 24 hours. The 149-employee company installed telex and telefax equipment to speed up its overseas communications, avoiding the delay of several weeks that is common in overseas correspondence. Electrical South believes that participating in the international arena not only helps it to prevail over foreign competitors overseas, but that it also helps the company to protect itself from foreign competition in the U.S. market. The company, a client of the Greensboro District Office of the U.S. Department of Commerce (ITA), uses the Department's New Product Information Service and the Agent/Distributor Service.

● **Seattle, Wash.**—Ederer, Inc., manufacturer of construction cranes, spent seven years exploring business possibilities in China before signing a contract. Now the 100-employee firm has a Chinese partner company officials like very much, and they look forward to a long-term relationship and sustained export growth. After finding they could work well with the managers of a factory in Szechuan province under the Power Ministry, they signed a $6 million contract to build a dam that involved $5 million worth of U.S. exports. Ederer provides engineering, technology and technical equipment, and helps the Chinese to build some of the basic equipment needed for the project. Ederer received export assistance from the Seattle District Office of the U.S. Department of Commerce (ITA).

● **Central Falls, R.I.**—Lawson-Hemphill, Inc., offers the reassurance of swift service to foreign customers worried about technical support. The manufacturer of instruments for testing the quality of yarn and fiber recently had an urgent call on a Friday night from a plant in Germany which had a problem with the company's equipment. Lawson-Hemphill had a man from its Rhode Island headquarters at the plant at 8 a.m. Monday. The company believes that word of mouth about this kind of service is valuable in building additional overseas sales. The Providence District Office of the U.S. Department of Commerce (ITA) provides Lawson-Hemphill with export administration facts, helping it speed up shipments.

● **El Toro, Calif.**—Bellsonics, Inc. finds customers for its export services among manufacturers of semiconductor test equipment and microwave equipment. In the past 4½ years, the firm has doubled the combined exports of its clients. Bellsonics will take over a firm's export operations, or handle a firm's exports only to countries that pose special difficulties, or set up an export operation for turnover to the firm after a year or two. The company receives assistance from the Santa Ana Branch of the Los Angeles U.S. Department of Commerce (ITA) District Office.

# Malcolm Baldrige Award Promotes Quality As a Top National Priority

Producing quality products has taken on a new significance as both the U.S. trade deficit and international competitiveness have grown. Indeed, it has become a top priority. With those premises in mind, Congress passed the Malcolm Baldrige Quality Improvement Act in 1987, and President Reagan signed the legislation on August 20 of that year. The Act established an award whose purpose is to promote quality awareness, recognize quality achievements of U.S. companies, and publicize successful quality strategies.

The Secretary of Commerce and the National Bureau of Standards (NBS) are responsible for developing and administering the Awards. The National Bureau of Standards will organize the awards process, including the appointment of a prestigious Board of Examiners from the private sector to review applications, establishment of criteria for selection, review of recommended winners, and general organization. The Secretary of Commerce will review the Board of Examiner's recommendations and appoint a Board of Overseers to assist them in reviewing the award process.

The private sector also plays an important role in this award, both by raising funds to support the award and in helping to administer the awards process. For example, private sector officials are establishing the Malcolm Baldrige National Quality Award Foundation to raise funds. In addition, The American Productivity Center and the American Society for Quality Control have formed a consortium to help administer the award. Finally, private sector quality experts on the Board of examiners will recommend winners.

The first awards will be presented by President Reagan in November 1988. Award recipients will receive a medal bearing the inscriptions "Malcolm Baldrige National Quality Award" and "The Quest for Excellence." Recipients may publicize and advertise their Awards, provided they agree to share with other American organizations information about their successful quality strategies.

Only companies incorporated and located in the United States are eligible. The companies may be privately or publicly owned. Up to two awards may be given in each of three categories: large manufacturing companies or subsidiaries, large service companies, and smaller companies engaged either in manufacturing or services.

Criteria is rigorous, with an emphasis on quality achievements, not just systems for quality improvement. Examiners will consider leadership, information and analysis, planning, human resource utilization, the process for quality assurance of products and services, results from quality assurance of products and services, and customer satisfaction. Finalists will be subject to an on-site visit by examiners to verify their quality programs.

Applications for the award may be obtained by writing the Malcolm Baldrige National Quality Award, National Bureau of Standards, Gaithersburg, Md, 20899, tel. (301) 975-2036. There is a $1500 application fee to cover the costs of the evaluation process. There will be an additional charge for finalists to cover on-site visits. May 20 is the deadline for submissions.

## Presidential "E" Award Honors Successful Exporters

The President's "E" Award was created in 1961 to recognize persons, firms, or organizations that contribute significantly in the effort to increase U.S. exports.

It was introduced as a revival and adaptation of the World War II "E" pennants awarded to industrial plants for superior production. Its origin goes back to 1906, when the U.S. Navy stimulated competition in the fleet by conferring "E" pennants on ships excelling in gunnery, engineering, and communications.

To qualify for an "E" Award, a manufacturer must provide evidence of a substantial increase in exports over a four-year period. Exports should constitute a significant portion of total sales and/or be materially in excess of the industry's average percentage. The company should demonstrate breakthroughs in especially competitive markets, introduce a new product into U.S. export trade, or open a new market.

A second award, the "E Star" Award, was authorized by the Secretary of Commerce in 1969, to recognize "E" Award recipients for continuing their extensive export expansion efforts. Only recipients of the "E" Award are eligible, and they must exceed the level of performance for which the "E" Award was given.

Another award, the "E" Award for Export Service, honors firms or organizations that may not export directly, but assist or facilitate export efforts through financing, transportation, market promotion, or other export-related services.

For information on the "E" Award, the "E Star" Award, and the "E" Award for Export Service, contact Evelyn Scott, US&FCS, Department of Commerce, at (202) 377-5205.

## Calendar of EXPORT NOW Events

**April 6—Springfield, Ill.**—The Center for International Trade Development is sponsoring a seminar on "Export Operations and Documentation." The same seminar will be held in many other locations. For information, call 1-800-521-4824 or (303) 444-4300.

**April 5-8—Hot Springs, Ark.**—The Arkansas District Export Council is sponsoring an "Export Regulations" course. For details, contact Bill Sprinkle at (501) 378-5794.

**April 7—Cleveland**—The Department of Commerce's Cleveland District Office will present an "Overview and Update on Trade and Investment with Mexico." For details, call (216) 522-4750.

**April 7—Knoxville**—The Eastern Tennessee International Commercial Council will present a seminar on the Canadian Free Trade Agreement. For information, contact the Nashville ITA District Office at (615) 736-5161.

**April 8—Providence**—"Letters of Credit, Methods of Payment, and Export Finance" is the topic of a presentation sponsored by the Center for International Trade Development. The seminar will also be presented in many other locations. For details, call 1-800-521-4824 or (303) 444-4300.

**April 12-14—Boston**—Usr & Company will offer three one-day seminars, "Fundamentals of Exporting, Letters of Credit, and Importing" at the Lenox Hotel. The seminars will be repeated in Charlotte, N.C., April 26-28. For details, call 1-800-631-3098.

**April 13—Richmond**—The Virginia Center for World Trade (VCWT) and the U.S. Department of Commerce will present a program on "Business Opportunities with Pacific Rim Countries." For information, call VCWT at (804) 446-4849.

**April 14—Memphis**—The Nashville US&FCS Office is sponsoring a presentation on "Export Licensing." For details, call (901) 521-4137.

**April 17—Dayton**—"Participating in International Trade Shows" will be the topic of a seminar presented by the Department of Commerce's Cincinnati Office. For information, call (216) 522-4750.

**April 20-22—New York**—The World Trade Institute will sponsor a three-day course on "Export/Import Letters of Credit" at the World Trade Center. For details, call Ken Chai at (212) 466-3170.

**April 21—Nashville**—The Department of Commerce's Nashville District Office will hold a seminar on "Export Marketing." For details, call (615) 736-5161.

**April 22—Camden, N.J.**—The Trenton US&FCS District Office will hold a seminar on "Shipping and Financing Your Order." For information, call (609) 989-2100.

**May 5—Springfield, Va.**—The US&FCS Richmond District Office will sponsor a presentation on "Marketing Technical Services Abroad." For details, call (804) 771-2246.

**May 13—Memphis**—A "Doing Business in the United Kingdom" seminar will be held in conjunction with the "Memphis in May" Festival. For details, contact the Nashville ITA District Office at (615) 736-5161.

**May 16-18—Indianapolis**—"Export Regulations" will be the subject of a course given by the Bureau of Export Administration's export seminar staff. For information, call Mark Brinton at (202) 377-8731.

**May 20—Kansas City**—"Doing Business with Taiwan" is the topic of a presentation sponsored by the Kansas City District Office of the U.S. Department of Commerce. For details, call (816) 374-3141.

**May 21—Westport, Conn.**—The Hartford District Office of the U.S. Department of Commerce will sponsor a seminar on "Trade with the U.S.S.R." For information, call (203) 240-3530.

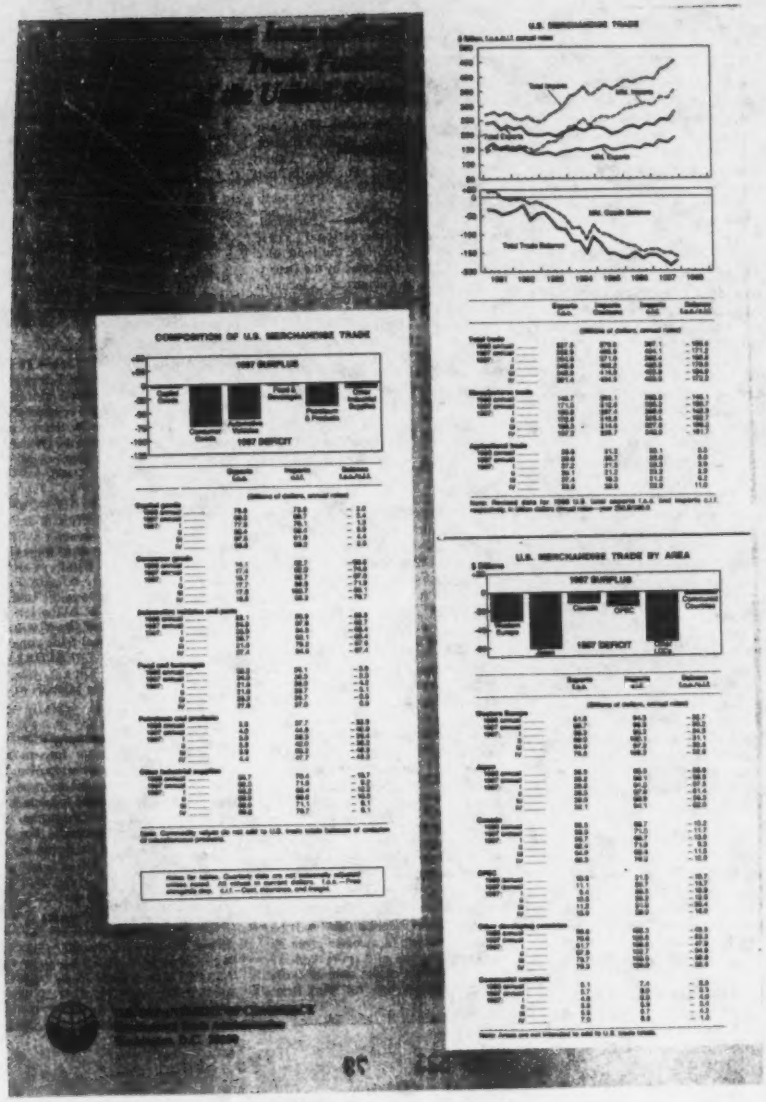
**June 1-3—New York**—The National Council on International Trade Documentation (NCITD) is holding a conference and exhibition whose theme is "Trade Facilitation in the Global Economy." For details, call NCITD at (212) 925-1400.

**June 3—Cherry Hill, N.J.**—The Trenton District Office of the Department of Commerce will present "Introduction to Export Licensing." For details, call (609) 989-2100.

**June 8—Akron**—The Akron Regional Development Board will hold an international trade conference entitled "EXPORT NOW-Northeast Ohio." For details, call Jessica Michels at 1-800-346-1927.

**June 12-17—Williamsburg**—The Virginia Institute for International Trade has developed a management development program, the Export Trade Institute, designed to provide information on international commerce. For details, call Monica Brana at (804) 446-4849.

*For a more complete listing of events in your area, contact your local Commerce district office (listing is on page 6). For a list of all US&FCS district office events, call Linda Bell at (202) 377-0727.*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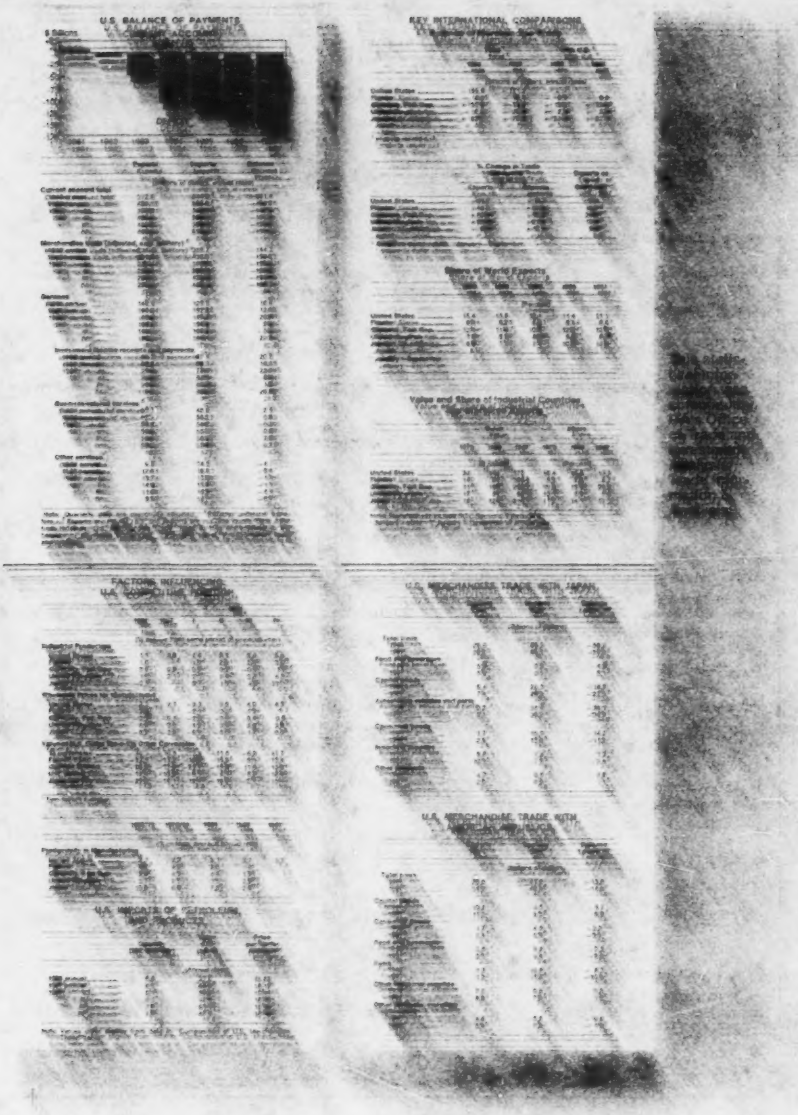
1987 SURPLUS
1987 DEFICIT



# U.S. Trade Facts

The United States is the world's largest economy, the largest market, the leading importer and, together with West Germany and Japan, leads the world in exports.

## Merchandise Exports

U.S. two-way trade totaled $677 billion in 1987, with exports of $253 billion and imports of $424 billion, and a deficit of $171 billion.

The United States exported 5.4 percent of its gross national product in 1987—after a peak of 8.1 percent in 1980 and a decline to 5.1 percent in 1986. In 1986, West Germany exported 25.9 percent, Canada 25.1 percent, the United Kingdom 19.3 percent, and Japan 10.5 percent.

Exports account for about 14 percent of U.S. production of goods.

Total U.S. merchandise exports are comprised of 79 percent manufactured goods, 12 percent agricultural commodities, and 9 percent (primarily) mineral fuels and crude materials.

Total U.S. merchandise imports are comprised of 80 percent manufactured goods, 11 percent mineral fuels, and 12 percent agricultural commodities and other goods.

On average about 25,000 U.S. jobs resulted per $1 billion of U.S. merchandise exports in 1987.

Merchandise exports accounted for about 5½ million jobs in the United States in 1987.

About one in six U.S. jobs in manufacturing were due to exports in 1987.

From 1891 through 1970, the United States had an unbroken string of trade surpluses. After 1970, it had deficits in every year except 1973 and 1975.

The 1988 U.S. trade deficit is expected to shrink from the 1987 total of $171 billion.

Canada was by far the United States' leading foreign market for exports in 1987, followed by Japan, Mexico, the United Kingdom, and West Germany. Japan was the United States' leading import supplier, followed closely by Canada, and then by West Germany, Taiwan, Mexico, the United Kingdom, and South Korea.

The capital goods sector leads U.S. exports, followed by industrial supplies and materials, then foods, feeds, beverages, and automotive products.

The Commerce Department estimates that about 2,000 U.S. companies account for more than 70 percent of U.S. manufactures exports.

## Business Service Exports

Exports of U.S. business services are one-fourth as large as U.S. exports of goods.

Exports and imports of business services totaled nearly $58 billion and $60 billion, respectively, in 1987.

In 1987, U.S. exports of business services accounted for 1 percent of U.S. gross national product. Travel service receipts and related passenger fares accounted for one-third of that total.

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STATEMENT OF JERRY OWEN

KENTUCKY SBDC STATE DIRECTOR

BEFORE THE

HOUSE COMMITTEE ON SMALL BUSINESS

MAY 20, 1988

MR. CHAIRMAN, MEMBERS OF THE HOUSE COMMITTEE ON SMALL BUSINESS THANK YOU FOR THIS OPPORTUNITY TO TELL YOU ABOUT SOME OF THE ASSISTANCE BEING PROVIDED TO THE KENTUCKY SMALL BUSINESS COMMUNITY.

I AM JAMES G. OWEN, BETTER KNOWN IN THESE PARTS AS JERRY OWEN. I AM THE DIRECTOR OF THE UNIVERSITY OF KENTUCKY CENTER FOR BUSINESS DEVELOPMENT AND THE STATE DIRECTOR OF THE KENTUCKY SMALL BUSINESS DEVELOPMENT CENTER PROGRAM.

AS AN ELEMENT OF THE UNIVERSITY OF KENTUCKY'S COLLEGE OF BUSINESS AND ECONOMICS EXTENSION SERVICE THE CENTER FOR BUSINESS DEVELOPMENT IS THE LEAD ELEMENT OF THE KENTUCKY SMALL BUSINESS DEVELOPMENT CENTER PROGRAM. WE ALSO OPERATE THREE OTHER SMALL BUSINESS SERVICE PROGRAMS --- TECHNICAL ASSISTANCE TO STIMULATE KENTUCKY'S INTERNATIONAL TRADE (TASKIT), THE KENTUCKY PROCUREMENT ASSISTANCE PROGRAM (KPAP) AND THE KENTUCKY ECONOMIC EXPANSION PROGRAM (KEEP).

IF YOU WILL PERMIT ME TO DIGRESS FROM THE STATED PURPOSE OF THIS HEARING FOR JUST A FEW MOMENTS I WOULD LIKE TO TELL YOU A LITTLE ABOUT THE KENTUCKY SMALL BUSINESS DEVELOPMENT CENTER PROGRAM. FIRST THOUGH I MUST THANK EACH OF YOU INDIVIDUALLY AND COLLECTIVELY FOR THE SUPPORT YOU HAVE GIVEN TO THE SBDC PROGRAM NATIONALLY AND TO PUBLICLY ACKNOWLEDGE AND THANK CONGRESSMAN MAZZOLI FOR HIS SUPPORT BOTH NATIONALLY AND LOCALLY.

THE KENTUCKY SBDC PROGRAM WAS INITIATED ON SEPTEMBER 30, 1981 WITH $215,000 FROM SBA AND AN EQUAL AMOUNT OF MATCHING FUNDS. DURING THIS FIRST YEAR STATEWIDE SERVICES WERE PROVIDED FROM THREE CENTERS. WE ARE NOW A NETWORK OF 13 GENERAL SERVICE CENTERS, TWO SPECIALTY CENTERS AND A CONTROL CENTER/CENTRAL OFFICE INVOLVING SIX STATE UNIVERSITIES, ONE PRIVATE COLLEGE, A COMMUNITY COLLEGE AND AN ELEMENT OF STATE GOVERNMENT.

OUR THIRTEEN GENERAL SERVICE AREAS ARE GEOGRAPHICALLY DISBURSED THROUGHOUT THE STATE SO THAT ANY KENTUCKIAN CAN VISIT ONE OF THESE CENTERS WITH LESS THAN ONE HOUR TRAVEL. EACH OF THESE CENTERS IS STAFFED WITH AT LEAST ONE FULL TIME

EXPERIENCED SMALL BUSINESS GENERAL MANAGEMENT CONSULTANT WITH ADEQUATE SUPPORT STAFF TO ENSURE THAT SOMEONE IS AVAILABLE TO RESPOND TO INQUIRIES DURING NORMAL WORK HOURS 8:00 A.M. TO 4:30 P.M. DAILY, MONDAY THROUGH FRIDAY. IN ADDITION WE PROVIDE COUNSELING THROUGH CIRCUIT RIDES TO 14 OTHER LOCATIONS. THESE CIRCUIT RIDES ARE MADE BY A GENERAL MANAGEMENT CONSULTANT VISITING A LOCATION ON A SCHEDULED BASIS TO BE AVAILABLE FOR CONSULTATIONS. AN EXAMPLE IS: A GENERAL MANAGEMENT CONSULTANT FROM THE LEXINGTON SERVICE CENTER VISITS DANVILLE EVERY OTHER WEDNESDAY, SETS UP SHOP AT THE CHAMBER OF COMMERCE TO COUNSEL INDIVIDUALS IN THE DANVILLE AREA. THE CHAMBER OF COMMERCE PROVIDES FREE OFFICE SPACE AND TELEPHONE SERVICE AS WELL AS SERVING AS THE CONTACT POINT AND SCHEDULES APPOINTMENTS FOR CLIENTS WITH THE CONSULTANT.

THE PRINCIPAL THRUST OF THE KENTUCKY SBDC PROGRAM IS PERSONALIZED ONE-ON-ONE COUNSELING PROVIDED BY EXPERIENCED SMALL BUSINESS MANAGEMENT CONSULTANTS. CURRENTLY THE KENTUCKY SBDC STAFF NUMBERS 21 FULL TIME AND THREE PART TIME. OF THESE 24 CONSULTANTS ON OUR STAFF, ALL ARE EXPERIENCED IN SMALL BUSINESS, 13 HAVE OWNED AND OPERATED A SMALL BUSINESS AND 12 HAVE ACADEMIC CREDENTIALS OF A MASTERS DEGREE OR HIGHER. WE ALSO USE FACULTY PERSONNEL FROM THE PARTICIPATING UNIVERSITIES AND COLLEGES AS WELL AS PRIVATE SECTOR PERSONNEL -- BOTH VOLUNTEERS AND CONTRACTUAL -- AS BACK UP FOR THESE STAFF PERSONNEL.

DURING THE SIX AND ONE HALF YEARS THAT THE KENTUCKY SBDC HAS BEEN IN OPERATION WE HAVE PROVIDED ONE-ON-ONE COUNSELING TO 13,088 KENTUCKIANS. IN THE SMALL BUSINESS FIRMS THAT HAVE RECEIVED COUNSELING ASSISTANCE OVER 15,000 NEW JOBS WERE CREATED DURING THE FIRST YEAR AFTER THE CLIENT RECEIVED THE COUNSELING. BASED ON TWO STUDIES WE'VE HAD DONE THERE HAS BEEN AN INCREASE IN REVENUE TO THE U.S. GOVERNMENT OF BETWEEN $3.40 TO $4.65 IN THE FIRST YEAR FOLLOWING THE ASSISTANCE FOR EACH DOLLAR SBA FUNDS EXPENDED. TO THE STATE GOVERNMENT THE RETURN HAS VARIED FROM $7.26 TO $9.90 OF INCREASED REVENUE FOR

EACH DOLLAR OF STATE FUNDS APPLIED. THESE FIGURES DO NOT INCLUDE THE INCREASED REVENUE FROM THESE FIRMS IN THE SUBSEQUENT YEARS. CONSEQUENTLY THE ACTUAL RETURN TO THESE TWO LEVELS OF GOVERNMENT IS GROSSLY UNDERSTATED. ALSO THIS DOES NOT INCLUDE INCREASED REVENUE TO LOCAL (CITY AND COUNTY) GOVERNMENTS WHICH WOULD BE SUBSTANTIAL.

ANOTHER MAJOR ELEMENT OF THE KENTUCKY SBDC IS A COMPREHENSIVE STATEWIDE TRAINING PROGRAM. WE OFFER TRAINING IN VIRTUALLY EVERY FACET OF SMALL BUSINESS OPERATIONS AND MANAGEMENT. WHILE SOME OF THESE PROGRAMS ARE HELD ON THE CAMPUSES OF THE INSTITUTION THAT HOSTS THE SBDC, MANY OF THEM ARE HELD OFF CAMPUS AND IN FACT MANY ARE HELD IN CITIES OTHER THAN WHERE THE SBDC IS LOCATED. WE TRY TO TAKE TRAINING PROGRAMS TO ALL AREAS OF THE STATE. OUR CENTRAL OFFICE STAFF INCLUDES AN ASSISTANT DIRECTOR FOR TRAINING WHO WORKS AGGRESSIVELY AT DETERMINING THE NEEDS FOR TRAINING, DESIGNING PROGRAMS TO MEET THOSE NEEDS AND RECRUITING VOLUNTEERS TO PROVIDE INSTRUCTION.

THE KENTUCKY SBDC RECORD OF PROVIDING TRAINING TO KENTUCKY SMALL BUSINESS PERSONS IS ALSO, IN MY OPINION QUITE IMPRESSIVE. DURING THE SIX AND A HALF YEARS THAT WE HAVE BEEN IN OPERATION WE HAVE PRESENTED 1,444 TRAINING PROGRAMS ATTENDED BY 26,130 KENTUCKIANS. THIS PROGRAM YEAR WE PLAN TO OFFER 346 TRAINING PROGRAMS AND ANTICIPATE TO CONTINUE AT THIS LEVEL OR HIGHER IN THE FUTURE. SINCE WE HAVE FOUND THAT WE CAN FREQUENTLY RECRUIT INSTRUCTORS TO PRESENT TRAINING AS A PUBLIC SERVICE AND WE CAN CHARGE SMALL FEES TO ATTEND TRAINING WE HAVE SET A GOAL TO MAKE OUR TRAINING ELEMENT SELF SUSTAINING. WE ARE NOT THERE YET BUT I BELIEVE THE GOAL IS ATTAINABLE.

TO ENHANCE THE COUNSELING AND TRAINING FUNCTIONS AND TO FURTHER FULFILL THE OVERALL MISSION OF DIRECT SERVICES TO THE SMALL BUSINESSES OF THE COMMONWEALTH OF KENTUCKY, THE KENTUCKY SBDC NOW INCLUDES AN ENTREPRENEURIAL STUDIES UNIT TO CONDUCT STUDIES AND UNDERTAKE PROJECTS DESIGNED TO ADVANCE THE KNOWLEDGE

CONCERNING ENTREPRENEURSHIP AND SMALL BUSINESS OPERATIONS. THESE STUDIES AND PROJECTS ARE GENERALLY CONCERNED WITH THESE MOST IMPORTANT DOMAINS OF INVESTIGATION: THE CHARACTERISTICS OF ENTREPRENEURS AND THOSE FACTORS WHICH HELP PREDICT SUCCESS, THE ECONOMIC ENVIRONMENT FOR ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT, THE RELATIONSHIP BETWEEN GOVERNMENT AND ENTREPRENEURSHIP, THE RELATIONSHIP BETWEEN LARGER FIRMS AND SMALLER ONES, THE EFFECT OF CHANGING COMPETITIVE FACTORS ON SMALL BUSINESS DEVELOPMENT. THE KNOWLEDGE GENERATED BY THESE STUDIES ENABLE THE KENTUCKY SBDC TO MORE ACCURATELY IDENTIFY THE NEEDS OF KENTUCKY SMALL BUSINESS OWNER-OPERATORS, TO ENHANCE THE COUNSELING SERVICES BY IMPROVING THE BASE FOR BUSINESS ANALYSIS AND IMPLEMENTATION OF RECOMMENDATIONS; AND TO BROADEN THE BASE FOR THE CONDUCT OF TRAINING.

THE STUDIES FOCUS ON THE VARIETY OF SMALL BUSINESS TYPES. THESE INCLUDE RETAIL, SERVICE, MANUFACTURING, CONSTRUCTION AND WHOLESALE. ALSO, FIRMS AT VARYING STATES OF THEIR DEVELOPMENT ARE CONSIDERED FOR STUDY: NEW STARTS, GROWTH PHASE FIRMS, MATURING COMPANIES AND DECLINING BUSINESSES. PROJECTS ARE CONSIDERED TO INVESTIGATE BOTH LOW-TECH "MOM 'N' POP" FIRMS AS WELL AS HIGH-TECH COMPUTER, ROBOTIC OR MICROBIOLOGICAL FIRMS.

WHILE THIS ELEMENT OF OUR PROGRAM IS NEW THIS YEAR WITH LESS THAN FOUR PERCENT OF OUR FINANCIAL RESOURCES COMMITTED TO IT I HAVE GREAT EXPECTATIONS FOR THE BENEFITS WE WILL RECEIVE.

AS EACH OF YOU KNOW FINANCING THE SBDC PROGRAM IS A COOPERATIVE EFFORT. OUR CURRENT BUDGET IS $2,157,587 WITH SBA FUNDS REPRESENTING 47.9 PERCENT OF THAT TOTAL, STATE GOVERNMENT (STATE UNIVERSITIES AND COMMERCE CABINET) FUNDS REPRESENTING 49.7 PERCENT AND PRIVATE SECTOR FUNDS REPRESENTING 2.4 PERCENT.

NOW TO FOCUS ON EXPORT PROMOTION AND ASSISTANCE. THE ROLE OF THE KENTUCKY SBDC SMALL BUSINESS MANAGEMENT CONSULTANT IS TO ENCOURAGE CLIENTS, WHEN APPROPRIATE, TO CONSIDER THE INTERNATIONAL MARKET AS AN ALTERNATIVE IN MARKETING

THEIR PRODUCTS AND SERVICES. THEN, THE CLIENTS WHO THEY INTEREST ARE REFERRED TO OUR TASKIT PROGRAM COORDINATOR FOR ASSISTANCE.

OUR TASKIT PROGRAM WAS INITIATED ON MAY 1, 1979 WITH A GRANT FROM THE ECONOMIC DEVELOPMENT ADMINISTRATION. THE PROGRAM WAS INITIATED AS A PILOT PROGRAM TO EVALUATE A CONCEPT THAT INCLUDED AN AGGRESSIVE OUTREACH EFFORT TO IDENTIFY FIRMS WITH POTENTIAL TO EXPORT, AND TO CONVINCE THEM TO CONSIDER EXPORTING AS A VIABLE MARKETING OPTION, A CONCERTED MARKETING ACTIVITY INCLUDING RESEARCH BY FACULTY ALONG WITH CONVENTIONAL METHODS TO IDENTIFY MARKETS FOR SPECIFIC PRODUCTS OF CLIENT FIRMS AND, FINALLY TO PROVIDE COUNSELING AND TECHNOLOGICAL ASSISTANCE TO CLIENTS IN NEGOTIATING SALES, FINANCING, SHIPPING, ETC. RELATED TO INTERNATIONAL MARKETING. THESE COMPREHENSIVE SERVICES CONTINUED THROUGH FEBRUARY 1983.

DURING THIS THREE YEARS AND TEN MONTHS 174 FIRMS PARTICIPATED IN THE PROGRAM. OF THESE 85 FIRMS CONSUMMATED EXPORT SALES AMOUNTING TO OVER $14 MILLION WHICH COULD BE DIRECTLY ATTRIBUTED TO THIS PROGRAM. WHILE THE DOLLAR VALUE OF THESE EXPORTS WERE ONLY MODERATELY IMPRESSIVE THE NUMBER OF FIRMS STARTING TO EXPORT REPRESENTED AN INCREASE OF 17 PERCENT OF TOTAL KENTUCKY FIRMS KNOWN TO BE EXPORTING AT THE START OF THE PROJECT.

IN 1983 WHEN FUNDING FOR THE PROGRAM WAS TERMINATED WE COULD ONLY CONTINUE A MINOR PORTION OF THE PROGRAM. THIS WAS ACCOMPLISHED BY MAKING IT AN ELEMENT OF THE EDA UNIVERSITY CENTER PROGRAM. TODAY WE OPERATE OUR TASKIT AND KEEP SERVICES WITH EDA UNIVERSITY CENTER PROGRAM FUNDS. WE HAVE BEEN NOTIFIED THAT EDA UNIVERSITY CENTER FUNDS PROVIDED TO THE UNIVERSITY OF KENTUCKY WILL BE PHASED OUT BY CONSECUTIVE REDUCTIONS WITH THE FINAL SIX MONTH PHASE OUT GRANT OF $20,000 ENDING ON MARCH 31, 1991.

CURRENTLY OUR TASKIT SERVICES ARE PROVIDED BY A SINGLE CONSULTANT ASSISTED BY A GRADUATE STUDENT TO RESEARCH MARKETS. DURING THE PROGRAM YEAR THAT ENDED

MARCH 31, 1988, WE HAD AN ACTIVE CLIENT LIST THAT INCLUDED 167 KENTUCKY FIRMS. WE PROVIDED SPECIFIC MARKET LEADS TO 46 OF THESE FIRMS. THESE CLIENTS SERVED UNDER THE TASKIT PROGRAM REPORTED EXPORT SALES OF OVER $10 MILLION.

I HAVE INCLUDED WITH THE COPY OF THIS STATEMENT A COPY OF THE BROCHURE DESCRIBING EACH OF OUR FOUR PROGRAMS.

IN CLOSING, I WANT TO HIGHLIGHT THE NEED FOR A COMPREHENSIVE EXPORT ASSISTANCE PROGRAM IN KENTUCKY. I WAS EXTREMELY PLEASED WITH THE PROVISIONS IN THE TRADE BILL WHICH WOULD PROVIDE FUNDING FOR AN INTERNATIONAL TRADE ASSISTANCE PROGRAM AS AN ADJUNCT TO THE SBDC. THIS IS SORELY NEEDED IN KENTUCKY. I COMMEND YOU MR. CHAIRMAN AND OTHER MEMBERS OF THE COMMITTEE WHO WERE INVOLVED IN DESIGNING AND PROMOTING THIS PROVISION. IF THE TRADE BILL IS VETOED AS I UNDERSTAND OUR PRESIDENT HAS PROMISED, I URGE YOU TO CONTINUE YOUR EFFORTS TO ENACT AUTHORIZING LEGISLATION AND TO INCLUDE APPROPRIATIONS IN THE 1989 BUDGET FOR THIS PROGRAM.

AGAIN I THANK EACH OF YOU FOR YOUR INTEREST AND SUPPORT OF THE SBDC PROGRAM AND FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY.

## KSBDC BASIC SERVICE CENTERS

Central Kentucky SBDC
University of Kentucky
Rm. 533 Gatton Bldg.
Lexington, KY 40506-0205
Phone: (606) 257-7668

Elizabethtown SBDC
230 West Dixie Highway
Elizabethtown, KY 42701
Phone: (502) 765-6737

Bowling Green SBDC
Western Kentucky University
246 Grise Hall
Bowling Green, KY 42101
Phone: (502) 745-2905

Northern Kentucky SBDC
Northern Kentucky University
BEP Center 467
Highland Heights, KY 41076
Phone: (606) 572-6524

South Central SBDC
Eastern Kentucky University
402 Chase Road, Suite 102
Somerset, KY 42501
Phone: (606) 678-5520

Southeast SBDC
Southeast Community College
Rm. 143 Carnegie Hall
Cumberland, KY 40823
Phone: (606) 589-2865

Bellarmine College SBDC
Bellarmine College
School of Business
Newburg Road
Louisville, KY 40205
Phone: (502) 452-8282

West Kentucky SBDC
Murray State University
College of Business and Public Affairs
Murray, KY 42071
Phone: (502) 762-2856

Owensboro SBDC
3860 U.S. Hwy. 60 West
Owensboro, KY 42301
Phone: (502) 926-8085

Hopkinsville SBDC
Pennyrile Area Development District
300 Hammond Drive
Hopkinsville, KY 42240
Phone: (502) 886-8666

Morehead SBDC
Morehead State University
Button Hall
Morehead, KY 40351
Phone: (606) 783-2896

Pikeville SBDC
101 Hambley Towers
Pikeville, KY 41501
Phone: (606) 432-5848

Ashland SBDC
Boyd/Greenup County
Chamber of Commerce Bldg.
P.O. Box 830 - 2nd Floor
Ashland, KY 41105-0830
Phone: (606) 329-8011

## KSBDC SPECIALIZED CENTERS

Frankfort SBDC
(Advocacy and Referral)
Kentucky Economic
Development Cabinet
Small Business Division
22nd Fl. Capital Plaza Tower
Frankfort, KY 40601
Phone: (502) 564-4252

University of Louisville
SBDC (Technology)
University of Louisville
Center for Environmental Policy
and Technology
School of Business
Belknap Campus
Louisville, KY 40292
Phone: (502) 588-7854

[redacted]

## WHAT IS THE PROGRAM

The Kentucky Small Business Development Center (KSBDC) provides counseling and training for small businesses and owner-operator entrepreneurs throughout the Commonwealth. Services are provided through a network of service centers, staffed with general management consultants, located at strategic points throughout the state. These management consultants are supported by central office staff specialists, faculties of Kentucky colleges and universities, volunteer consultants, and members of professional and trade associations.

## OBJECTIVES

Services are oriented toward the following program objectives:

1. To improve the profitability and viability of existing small business enterprises;
2. To stimulate the development of new business enterprises and the expansion of viable existing small business enterprises;
3. To assist in developing and promoting opportunities for creating new small businesses, increasing productivity of small business, applying modern technology in the small business operations;
4. To facilitate the production of new inventions by small business enterprises;
5. To encourage and assist qualified socially and economically disadvantaged entrepreneurs to start small business enterprises;
6. To serve as a focal point for gathering, analyzing, and disseminating economic and business data.

## SERVICES OFFERED

KSBDC services will be provided throughout the Commonwealth to existing small businesses to resolve problems impeding profit and growth, and in developing expansion programs, as well as to future entrepreneurs to analyze and plan new small business ventures.

Specific services include:

1 Guidance and training in accounting, cost controls, cash management, credit administration, risk management, inventory control, quality control, financing, marketing, personnel administration, general business management, control systems, etc.;

2. Operational and management reviews to identify the problems that restrict profits or growth, and to recommend corrective action with follow-up counseling and assistance;

3. Assessment of an individual's business skills and potential as an entrepreneur. As appropriate, client will be provided specialized management training, advice of guidance relevant to the specific business or referred to appropriate group training programs.

4. Guidance on evaluating the feasibility of proposed new business ventures, expansion programs, relocation projects, and business restructuring alternatives. Market analyses, economic evaluations, technical analyses and financial analyses are available when appropriate;

5. Assistance in planning new business ventures, business expansions, reorganizations, and relocations;

6. Counseling in planning the appropriate capital structure for business; assistance in developing financial data; advice when negotiating with financial institutions; and guidance in developing loan applications;

7. Technical (engineering) assistance in developing production capability and design, new product evaluation, patent application, and general upgrading of operations;

8. Technical assistance and advice in the application of new technologies;

9. Guidance in obtaining and executing government (federal, state and local government) and private business contracts.

The full disclosure of financial and/or other proprietary information to the KSBDC by the client is usually essential in order to provide effective assistance. The client may be assured that such information is held in complete and total confidence at all times.

Counseling services are provided at no charge.

TASKIT

TASKIT
Center for Business Development
415 Commerce Building
College of Business and Economics
University of Kentucky
Lexington, Kentucky 40506

**SERVICES OFFERED**

The principal services offered under the TASKIT Program include the following:

- Identification of specific, current opportunities for selling, exhibiting and promoting products abroad.
- Information on important marketing, economic, governmental services and other developmental activities overseas.
- Information pertaining to opportunities to exhibit products overseas and to meet foreign buyers through trade missions, seminars and trade exhibitions.
- Counseling on market research, market identification, export documentation, export payments and financing, export insurance and export agent/distributor arrangements.
- Counseling on freight, joint venture agreements, patents, copyrights, trademarks, franchise agreements, foreign investment, and taxation of international business transactions.
- Advice concerning the impact of United States, foreign and international treaty regulations on specific transactions.

For more information on the program on how your business may enter international trade, simply clip the end of this brochure, fill out and mail to the Center, or contact:

[redacted]

TASKIT

# Technical Assistance to Stimulate Kentucky's International Trade

[redacted]

TASKIT

# Technical Assistance to Stimulate Kentucky's International Trade

## WHAT IS THE PROGRAM?

The TASKIT Program is designed to provide assistance to small- and medium-sized manufacturing and service businesses located in Kentucky to enter international trade for the first time or expand their present international trade position. A professional staff is available to provide counseling in international marketing, management, law, finance, economics, accounting, and to assist in analyzing your potential for international trade. The basic objective of the program is to increase the volume of goods and services exported by Kentucky businesses and thereby create new jobs for Kentuckians and expand our local economy.

## THE WORLD MARKET

There is a whole world out there to sell to and your product may be exportable. Don't let myths limit your profits. What are some of the "myths" and the true "facts" about international selling?

Myth – They won't be paid for their shipment.

Fact – Most international sales are on a cash basis; and when credit is extended, there are less defaults in international payments than in domestic sales. For additional protection receivables can be insured by the Foreign Credit Insurance Association.

Myth – There is too much red tape.

Fact – Documentation for international trade is brief and standardized and is routinely handled through Kentucky banks.

Myth – They aren't big enough to "go international."

Fact – Forty-five percent of present Kentucky exporters employ fewer than 100 employees. Manufacturers as small as four employees have sustained a successful export program.

Myth – Their products are made for Americans and foreigns are so "different."

Fact – Changing living standards worldwide provide a vast market for your products. An example is the successful sale of Levis in Japan. The current devaluation of the dollar works strongly in your favor.

Myth – Who can assist you in handling a sale in an overseas country?

Fact – TASKIT, through its staff and the facilities of federal, state and private agencies in international trade, can counsel you in the facets of international business transactions and guide you in the direction of foreign trade representatives.

You may be pleasantly surprised how easily you can enter into world trade and thereby increase your volume of sales. The staff of TASKIT is available to assist you.

### WHO RUNS THE PROGRAM?

The Kentucky Economic Expansion Program is an extension service of the College of Business and Economics of the University of Kentucky offered through the Center for Business Development.

### WHO IS ELIGIBLE?

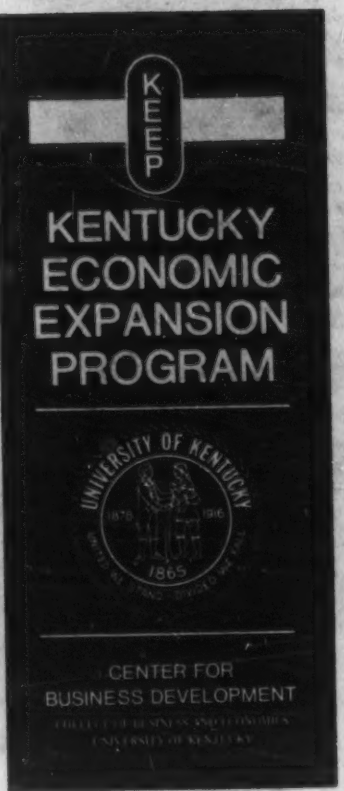
Any small manufacturing firm or economic development organization may ask for assistance under this program. However, preference will be given to small firms which do not have the resources to finance services of professional consultants.

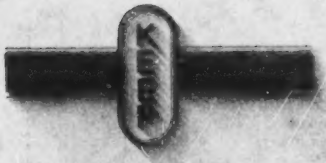
### HOW TO GET ASSISTANCE

Anyone interested in obtaining further information on this program or in obtaining assistance should write directly to the Center for Business Development. Information can also be supplied by your county agent or the Area Development District Director.

To get a management consultant to discuss the program with you simply clip the end of this brochure, fill it out, and mail it.

Center for Business Development
College of Business and Economics
23 Porter Building
University of Kentucky
Lexington, Kentucky 40506-0305





WHAT IS THE PROGRAM?

The Kentucky Economic Education Program (KEEP) is a cooperative venture between the University of Kentucky and the Kentucky Department of Education to help [illegible] public schools, elementary through high school, [illegible] assistance to small business firms and community development agencies that cannot afford to hire a professional consultant. Upon request, a consultant provides general assistance and information on resources for implementing projects to achieve specific individualized goals. The consultant can contact [illegible] communities in which KEEP is implemented, coordinate instructional conferences, etc.

The program is an outreach service of the University of Kentucky Research Foundation in the University and the Economic Education Section of the U.S. Department of Education in the state.

The objective of the program is to assist in economic development by increasing entrepreneurial activity through improving income and employment growth of small business firms and increasing the creation of new small business enterprises.

WHO?

Success and growth of business is essentially a quality management task, quality of management is directly related to scope of knowledge of the technical and business aspects of the operation undertaken. The scope of knowledge required is so wide that it is unlikely that the management of small firms possesses all the knowledge of the business on which to make a complete rational decision-making. The services provided by the program are designed to help in part by providing management with an assessment of the [illegible] business, with suggested practical solutions to problems and recommendations for improvements.

Also, it is frequently said that the owner manager must be capable of [illegible] [illegible] [illegible]

**WHAT IS THE KENTUCKY PROCUREMENT ASSISTANCE PROGRAM (KPAP)?**

KPAP is a marketing tool designed to help Kentucky businesses tap the federal procurement market, particularly the Department of Defense.

**HOW CAN KPAP HELP?**

KPAP offers four services:

- BID MATCHING - matches products or services of a company with Federal Government bid invitations ($25,000 and above).
- CONSULTING - face to face assistance in putting together a Federal bid package.
- TRAINING - instruction on how to do business with the Federal Government, marketing to a Federal agency, and more.
- MILITARY SPECIFICATIONS - access to specifications and standards required in some Federal contracts.

**WHO CAN USE KPAP?**

Any Kentucky company meeting the following:

- In business one year or longer
- Adequate cash flow
- No major business problems
- Meets other evaluative standards

**HOW DOES BID MATCHING WORK?**

A profile of your company, including a few keywords, entered into a computerized database system is matched daily with current Federal bid invitations as listed in the *Commerce Business Daily*. When there is a match with your profile you will receive via direct mail a brief description of the contract to be let, bid opening date, contact point and other detailed information.

**ISN'T DOING BUSINESS WITH THE GOVERNMENT COMPLICATED?**

Yes — but no more than selling to many large companies. We can point you to all the expertise you need to learn about the Federal contracting process.

**HOW MUCH WILL THIS COST ME?**

Bid matching and counseling services are free. A nominal fee will be charged for training and copies of military specifications.

**HOW DO I GET THESE SERVICES?**

Tear off, complete and mail the attached form or call (606) 257-1751, or any one of the Kentucky Small Business Development Centers listed on this brochure.

*Note:* KPAP emphasizes service to those businesses and/or contracts that create jobs and promote strong economic growth.

Your Name _____

Title _____

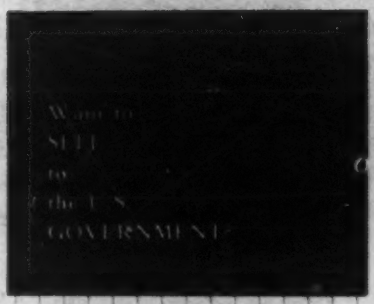
Company Name _____

City _____ State _____ Zip Code _____

Company Product or Service _____

Phone _____

☐ I am interested in receiving more information about the Kentucky Procurement Assistance Program.




# You Need to Know About the KENTUCKY PROCUREMENT ASSISTANCE PROGRAM

*Offered by*
The University of Kentucky's
College of Business and Economics'
Center for Business Development

*Financed by*
Defense Logistics Agency
U.S. Department of Defense

Kentucky Commerce Cabinet

University of Kentucky

*In Cooperation with*
Kentucky Small Business Development
Center Program (KSBDC)

U.S. Small Business Administration

**KSBDC Service Centers participating in the Kentucky Procurement Assistance Program**

**Central Kentucky SBDC**
University of Kentucky
Rm. 11 Porter Bldg.
Lexington, KY 40506-0205
Phone: (606) 257-7666

**Elizabethtown SBDC**
238 West Dixie Highway
Elizabethtown, KY 42701
Phone: (502) 765-6737

**Bowling Green SBDC**
Western Kentucky University
519 Grise Hall
Bowling Green, KY 42101
Phone: (502) 745-2901

**North Kentucky SBDC**
Northern Kentucky University
BEP Center 463
Highland Heights, KY 41076
Phone: (606) 572-6350

**Southeast SBDC**
Southeast Community College
Rm. 119, Chrisman Hall
Cumberland, KY 40823
Phone: (606) 589-4511

**Bellarmine College SBDC**
Bellarmine College
School of Business
Newburg Road
Louisville, KY 40205
Phone: (502) 452-8282

**West Kentucky SBDC**
Murray State University
College of Business and
Public Affairs
Murray, KY 42071
Phone: (502) 762-2856

**Owensboro SBDC**
3860 U.S. Hwy. 60 West
Owensboro, KY 42301
Phone: (502) 926-8085

**Hopkinsville SBDC**
Pennyrile Area Development
District
Hammond Plaza, Bldg. 4B
Hopkinsville, KY 42240
Phone: (502) 886-8666

**Morehead SBDC**
Morehead State University
Butler Hall
Morehead, KY 40351
Phone: (606) 783-2077

**Pikeville SBDC**
101 Hoffman Avenue
Pikeville, KY 41501
Phone: (606) 432-5848

**Ashland SBDC**
Ashland Chamber of
Commerce Building
P.O. Box 830
Ashland, KY 41105-0824
Phone: (606) 329-8011

**Frankfort SBDC**
Kentucky Department of
Economic Development
Small Business Division
22nd Fl. Capitol Plaza Tower
Frankfort, KY 40601
Phone: (502) 564-4252

KENTUCKY PROCUREMENT ASSISTANCE PROGRAM
10 PORTER BUILDING
UNIVERSITY OF KENTUCKY
LEXINGTON, KY 40506-0205

PLACE STAMP HERE

Statement
of
Cary W. Blankenship,

Vice Chairman, Kentucky District Export Council
Managing Partner, Strategic Development Associates
Louisville, Kentucky

before the
United States House of Representatives
Small Business Committee hearing
Louisville, Kentucky
May 20, 1988

**Statement of Cary W. Blankenship**

Mr. Chairman, honorable members of the Small Business Committee, distinguished guests, ladies and gentlemen.

My name is Cary W. Blankenship, Vice Chairman of the Kentucky District Export Council and Managing Partner of Strategic Development Associates, an international trade and investment consulting firm, Louisville, Kentucky.

It is a pleasure and an honor to have an opportunity to testify before the Small Business Committee hearings on efforts to stimulate overseas opportunities for small business goods and services. The importance of exports to the economic strength and vitality of the nation has never been more vital. While recent statistics reveal that the United States is improving its balance of trade there is still considerable room for improvement.

Let me take this opportunity to provide some background information on the Kentucky export scene.

**Kentucky's Exports**

Kentucky has consistently ranked among the top twenty five exporting states over the past two decades while it has one of the smallest manufacturing bases in the region. The latest figures for Kentucky exports are from 1983 which shows the total amount of Kentucky exports excluding agricultural products to exceed $3.7 billion per year. Kentucky's export sales directly translates into more than 22,000 jobs each year for Kentuckians.

The products that are exported from Kentucky range from the traditional products associated with Kentucky such as bourbon whiskey and tobacco to modern medical equipment and transportation equipment. Over 600 Kentucky manufacturers report overseas sales out of a manufacturing base of 3,400. Kentucky exporters represent 18% of the manufacturing base compared with a national average of approximately 16%. While the performance of Kentucky exporters is above the national average conservative estimates show that the percentage of Kentucky exporters could reach as high as 22%.

The 20% level of export participation is comparable with the percentages in such countries as Germany, Italy, France and Japan. In addition to increasing the number of exporters it is reasonable to expect an increase in the absolute value of exports through expanded sales of existing exports through new markets or new sales in existing export markets.

Louisville, Kentucky's largest metropolitan area, is the leader in international trade in the state with nearly a third of the state's manufacturing base and most of the international trade service firms. Louisville has recently focused on international trade development through the Louisville/Jefferson County Office of Economic Development. The Office of Economic Development has tried to stimulate export participation through a variety of activities in conjunction with the U.S. Department of Commerce District Office and the Kentucky Economic Development Cabinet. Louisville has established a foreign shared sales corporation, a pilot program through the ExIm Bank export loan program, a number of trade missions to the Far East and to Europe, and hosting trade delegations from other countries.

In addition to Louisville's active role in export development a number of other communities in Kentucky have organized trade groups to help promote export trade. These groups include the Bluegrass International Trade Association, based in Lexington, and the Northern Kentucky International Trade Association. Also a number of the universities and colleges in the state have focused attention to international trade and marketing.

**Kentucky District Export Council**

The Kentucky District Office of the United States Department of Commerce was created in May 1980 and at the same time the Kentucky District Export Council was formed by the U.S. Department of Commerce. Prior to May 1980 Kentucky was administrated by the Memphis District Office and the Kentucky-Tennessee District Export Council served the region. The Kentucky District Export Council is comprised of representatives from business, government and academia appointed by the U.S. Secretary of Commerce in recognition of their experience and interest in promoting international trade.

The DECs actively try to promote American exports and try to assist the export promotion programs of the District Office. Some of the programs that the DECs promote or participate in are seminars, publications, educational programs, and export counseling. Since the members of the DEC are involved in exporting or have been responsible for overseas sales for their companies they have a first hand knowledge of both the opportunities and the obstacles associated with exports.

**Stimulating America's Business to Export**

The problem of stimulating American business to seek out new market opportunities overseas is not a recent problem. In the 1950's when most of the world was recovering from World War II America's products were demanded worldwide but little effort was made to hold on to these markets. Americans would fill an order if it suited their needs at the time but their highest priority was the domestic market. In the 1960's and early 1970's when the world had recovered from the devastation of the war, nations such as Germany, Japan, Italy, France, Great Britain worked hard to establish strong export markets for their products while the United States neglected the area. The economic crisis of the 1970's and early 1980's showed how vulnerable the United States had become with a rising demand for imports and a decline of demand for American exports. In recent years we have witnessed some of the largest trade deficits recorded in history. While we have seen encouraging improvement in the export field in 1988 the process of correcting past mistakes is long and difficult. It is important that we focus on the opportunity and the obstacles in the area of exports. There are some basic items that we need to redress in our efforts to expand export opportunities.

1. It is important to resist the temptation to create new programs that do not take into consideration existing agencies or programs. At the present time the U.S. Department of Commerce is the federal agency that is designated as the lead agency with respect to export promotion. A review of programs and effectiveness of the U.S. Department of Commerce would be in order to determine what direction the United States should take with respect to export development. In addition a review of the funding of the export development effort must be reviewed by Congress. It is obvious that the U.S. Department of

Commerce is not receiving the funding needed to meet their mission. Many of the positions in both the domestic and overseas offices of Commerce are vacant. In addition some of the export promotion activities of Commerce have been limited due to budget limits on printing, travel and personnel. **The basic recommendation is to study Commerce activities and to fully fund the export promotion activities of Commerce.**

2. It is important to centralize export assistance and not create several agencies or government departments that have an export assistance goal. If you want to create an export loan program for small and medium sized business through the Small Business Administration make sure it does not compete with existing programs such as the ExImBank export small business export loan program and make sure it is handled by professionals, even if that means that the program is implemented by another agency such as Foreign and Commercial Service of the U.S. Department of Commerce. **Note: SBA has an export loan program for small business but not a single loan has been processed by the Louisville Office of SBA.**

3. The United States government must make export development a national priority and not just a topic of conversation. The economic strength of this nation is more important than any missile system or battleship. America's exports will enable us to pay for government programs. Small business is a vital element in the effort to make the American economy strong and exports a positive element to our economic future. At this time only 1% of the companies in this country generate 80% of the dollar value of the nations exports while more than 45,000 companies capable of exporting are not participating in overseas sales. No other industrialized nation in the world would allow this type of condition to persist and the United States has glossed over the problem for years. It is time for the national government to set goals and focus our energy to achieve greater exports.

Thank you.

WRITTEN TESTIMONY
May 20, 1988

from

CHARLES M. WILLIAMS
Senior Vice President
FIRST NATIONAL BANK OF LOUISVILLE
Louisville, Kentucky

for the

COMMITTEE ON SMALL BUSINESS

HOUSE OF REPRESENTATIVE
CONGRESS OF THE UNITED STATES

THE HONORABLE JOHN J. LA FALCE, CHAIRMAN

FIRST NATIONAL BANK
OF LOUISVILLE

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CHARLES M. WILLIAMS
Senior Vice President
International Banking

May 20, 1988

Chairman John J. LaFalce
Committee on Small Business
House of Representatives
Congress of the United States

Chairman LaFalce:

I was asked to testify on "regarding small business export problems and opportunities" at a hearing, the purpose of which "is to examine the effectiveness of the state and local level of federal export promotion programs, technical and financial assistance, and other programs and activities designed to enhance the ability of small businesses to compete in international markets."

First of all, I will present an overview of some of the sources of assistance currently available to small business.

Governmental

- U. S. Department of Commerce
- Commonwealth of Kentucky
- Cities
- EX-IM/FCIA
- SBA - Export Finance

Other

- Commercial Banks
- Freight Forwarders
- Export Management Companies (EMC)
- Organizations such as Kentuckiana World Commerce Council
- Japanese Trading Companies

Small Business

My sense in that many (if not most small) businesses - if they think about exporting at all, regard it as a mystery, with fear. These companies are not in an exporting environment, that is, there are not a lot of companies

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around them who are already exporting. They have difficulty thinking about exporting as a real possibility.

The situation is made worse if these companies are located outside a major urban area such as Louisville. There are very few companies, enterprises, individuals who can give creditable (or any) advice in outlying areas.

These companies (and even those in urban areas such as Louisville) probably do not think about exporting, but if they do, do not know where to turn or what to do. They are hopefully (and rightly) concerned about the cost and complexity of entry into international marketing and may not know where to turn. I should add that I have seen a few companies try to get involved on their own without adequate expertise or caution, and the experience was unpleasant.

Now for a closer look at some of the organizations/entities offering advice or assistance.

These I regard as the missionaries, encouraging exports:

U.S. Department of Commerce (International Trade Administration) - Has a worldwide network with a charter to assist U.S. business including small business. Local U.S. offices seem underfunded to carry out their promotional/marketing activities. There appears to be a need on the national level to work with and listen to needs of the states and cities. There also appears to be a need to ensure that information provided is more current.

Commonwealth of Kentucky - There appears to be a strong desire to assist in development of exports, but this agency has a severe lack of staff and perhaps lacks clear commitment.

Cities - Some such as Louisville have established programs to promote exports in their area.

SBA Export Finance - Apparently few, if any, loans of this type have been granted. I have heard that there may be a desire to have SBA get into export counseling (promotion/marketing). If true, this seems a costly redundancy and would probably add confusion in the mind of the small businessman seeking advice on how to export.

My feeling is that these programs are not working together as cooperatively as they should - that there is a tendency for each to pursue their own programs without the coordination that should take place. This certainty does not optimize the efforts of each and may even add to confusion in the minds of small businessmen.

The following are also sources of assistance, but I do not classify them necessarily as missionaries - in that they do not make it their primary goal to encourage small and other companies to export.

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Banks - We can provide the infrastructure that permits international trade. We also provide assistance on actual export transactions. We provide financing (about which more later), and finally, we have held seminars throughout Kentucky on the mechanics of international trade.

Freight Forwarders assist in the details of international shipments.

Export Management Companies - These arrange for the sale of a businesses' products abroad. The EMC does not take title, however.

Organizations such as Kentuckiana World Commerce Council provides a forum for those involved in international trade to meet and talk regularly.

Japanese Trading Companies - A rather new phenomena to Kentucky. Three have recently established offices in Kentucky. They are looking for Kentucky products they can ship back to Japan. They operate much as the export trading companies (ETC) were supposed to. These trading companies do take title to the goods, in contrast to the EMCs. This is very convenient for the Kentucky small businessman. He can sell his products in the U.S. to one of these trading companies and get paid immediately. He does not have to worry about the costs, risks and complications of entering foreign markets.

Financing

How important is financing beyond what is already available to a small businessman's ability to export?

I do not feel it is a major problem. Financing is already available from banks. Overseas sales can be financed through banks directly, using FCIA, EX-1M, or through a variety of other techniques (private insurance). Even shipments to countries with questionable payment records can be financed so that the small businessman has little or no risk.

Nevertheless, I have seen occasions when a small company received a fairly large initial order and had difficulty getting financing. Some state or local financial assistance in these cases would be helpful. Reduced rate financing to encourage exports would probably do just that.

I am not very familiar with the SBA Export Finance Program but as stated earlier, I do not know of any that have ever been granted in Kentucky.

Japan

What does a small businessman do in Japan if he wanted to export? Perhaps his experience might be helpful in providing ideas for things we might do in the U.S. to promote exports.

In contrast to the U.S., a Japanese businessman would be in an exporting environment. Many companies around him will be exporting. He can gain confidence from his friends who are already exporting. The exporting environment has already achieved, and gone beyond, a critical mass.

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Because of this, the Japanese firm is already thinking about exporting. A Japanese banker friend told me about a small firm with only five employees; someone travels abroad annually seeking new markets.

The small businessman will probably turn to JETRO (Japan External Trade Organization - a quasi-governmental agency originally seeking to promote exports). It has an excellent reputation.

The small businessman may also turn to one of the many trading companies in Japan. This makes exporting relatively easy for him. As you know, these trading companies are some of the largest in the world.

He will get advice from his banks who because of a worldwide network of offices is in a good position to assist the businessman in identifying markets, finding funding distributors, and anything else involved in exporting.

In the past, and to a lesser extent today, the businessman may get subsidies and/or tax breaks.

In short, the Japanese businessman is in an exporting environment, he thinks about exporting, he knows where to get advice, assistance and financing.

And finally, he believes that exporting is important not only for his firm, but it is also in the national interest - it is his patriotic duty.

Problems

To summarize, here are the major problems facing a potential small business exporter.

1. Where to go for reliable advice/assistance.

2. The cost of entering the international marketplace.

3. Finances

Recommendation

1. Better coordination between the ITA, Commonwealth and Cities. The ITA at the national level should consider states as part of their natural constituents, and so should the states view their cities.

   Each should have a published mission which is synergetic with the other two.

   These groups are the primary evangelists; they provide encouragement, advice, overseas contacts, overseas trips. They also know local resources (banks, freight forwarders, EMC's, etc.) needed by the potential or actual exporter.

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With a more coordinated approach, it provides an opportunity to combat the confusion on where to go for help.

2. Communication - and with a more coordinated approach (above), perhaps an information campaign can be mounted to encourage exporters, tell them of the benefits and where to go for help.

   Perhaps a variation on the theme "exporting is good for the country" can be used.

3. More travel funds for the local office of ITA and expanded resources at he Commonwealth's Cabinet for Economic Development, consistent with their mission.

4. Encourage and arrange participation in joint overseas trips, trade and catalogue shows. These can help reduce the cost of entry for smaller companies.

5. Export financing funds, perhaps at reduced rates, either in general to encourage exports or to help companies who otherwise would not be able to participate in the international marketplace. I realize the danger of mismanagement and conflict of interest in this proposal, and ideally I solicit a lot of comments on the issue. However, incentives were given to companies to relocate in Kentucky which created jobs. Why not some incentives to assist companies exporting which will create jobs also?

Summary

It is almost a cliche to say that this is a good time for U.S. companies to export - and it is, but if small companies are going to export (especially those away from major urban areas), they must be encouraged to think about exports, to think that exporting is possible without undue risk and expense. And finally, these companies should know where to turn for advice and assistance.

Coordinated ITA, Commonwealth, and Cities promotion/marketing efforts are very important. Also, more travel funds for ITA and more resources at the Commonwealth are needed.

I hope these comments have been helpful.

Sincerely,

Charles Williams

CW/18-31

Liberty National Bank and Trust Company

*International Division*

MAY 20, 1988

TO THE CONGRESS OF THE UNITED STATES HOUSE OF REPRESENTATIVE 100TH CONGRESS
COMMITTEE ON SMALL BUSINESS
MR. JOHN J. LA FALCE CHAIRMAN
LADIES AND GENTLEMEN

MY NAME IS CAROL THIERMAN, I AM VICE PRESIDENT AND MANAGER OF THE INTERNATIONAL DIVISION OF LIBERTY NATIONAL BANK AND TRUST COMPANY OF LOUISVILLE. I HAVE BEEN IN THE INTERNATIONAL DIVISION FOR 14 YEARS.

I HAVE SERVED ON THE FOLLOWING COMMITTEES IN THE OFFICER LEVEL:

CHAIRMAN, KENTUCKIANA INTERNATIONAL TRADE CONFERENCE 1986
PRESIDENT, KENTUCKIANA WORLD COMMERCE COUNCIL
CHAIRMAN, INTERNATIONAL CREDIT AND FINANCE ASSOCIATION

I AM CURRENTLY AN ACTIVE MEMBER OF THE FOLLOWING:

KENTUCKIANA WORLD COMMERCE COUNCIL
INTERNATIONAL CREDIT AND FINANCE ASSOCIATION
BLUEGRASS INTERNATIONAL TRADE ASSOCIATION
KENTUCKY INDUSTRIAL DEVELOPMENT COUNCIL

I HAVE KNOWN AND WORKED CLOSELY WITH THE US DEPARTMENT OF COMMERCE SINCE I HAVE BEEN INVOLVED IN INTERNATIONAL TRADE. I FEEL THE ITA PROVIDES VALUABLE TRADE LEADS TO COMPANY'S THROUGHOUT KENTUCKY. THEY NOT ONLY ENCOURAGE COMPANY'S TO ENTER INTO FOREIGN MARKETS THEY TEACH AND INSTRUCT THEM TO EFFECTIVELY SELL KENTUCKY PRODUCTS WORLDWIDE.

LIBERTY NATIONAL BANK'S INTERNATIONAL DIVISION AND THE US DEPARTMENT OF COMMERCE WORKS TOGETHER TO PROMOTE THE ADVANCEMENT OF ECONOMIC AND INDUSTRIAL DEVELOPMENT THROUGHOUT KENTUCKY. I FEEL THE US DEPARTMENT OF COMMERCE SERVICES ARE EXTREMELY ESSENTIAL IN MAKING KENTUCKY A STATE ACTIVELY AND SUCCESSFULLY INVOLVED IN INTERNATIONAL TRADE.

Carol Thierman

The Summit Co.
International Sales Representatives

TESTIMONY of ROBERT D. SCHUTZ
President, THE SUMMIT CO.
May 20, 1988

When I was invited by Congressman Mazzoli's office to speak to you, or to testify, as they put it, I was asked to talk about our experiences and successes in exporting.

Then when I received a confirmation from the chairman of the Committee on Small Business, the purpose was indicated to be "to examine the effectiveness...of Federal export promotion programs, technical and financial assistance and other programs and activities designed to enhance the ability of small business to compete in international markets".

Well, since I rarely use or take advantage of the Federal government programs, I would like briefly to address that question first. Then, talk about our own personal role in exporting.

I don't think George Washington had in mind that we needed the Department of Commerce to exhort our business community into selling abroad, but if it isn't obvious to every American by now that we must export, then I guess we will never get the message. The reality is we must export and, I suppose like everything else in life, the Federal government must be there to help American business export.

As you probably have heard today, there are many useful services provided by our government to assist us in selling overseas, some of them quite helpful. As I mentioned, I rarely use these programs, so

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I'm not a good one to address their effectiveness. I will comment on one subject related to government assistance.

Foreign Credit Receivable Insurance. I believe this is an area where the Federal government could assist particularly the small business. Many other countries' governments make it easy for their domestic companies to gain inusrance against loss of payment on export orders. I realize that we have agencies offering foreign credit insurance, but they make it very difficult and have such limiting features that they effectively discourage the small exporter from using the service. I believe this is one specific area that our Federal government could make a tangible and significant contribution to our export sales programs that would be very welcome by the exporting community.

I would like not to turn my remarks toward our own export activities.

The Summit Co. is an Export Management Company which began business 15 years ago with the idea to represent the small to medium sizedd manufacturers in Kentucky - selling their products overseas.

As manufacturers often use independent manufacturer's reps to market their products throughout the States, so too can companies that do not have in-house export knowledge use the services of independent professionals in international marketing to extend their sales overseas.

Some EMC's specialize in geography while others specialize in industries.

Our approach has been to work with local companies across a broad brush of product lines. This has allowed us to have a very close

working relation with our principles, to become an integral operating part of their company. We can often be in their place of business and become more knowledgeable about the company and its products. A truly important factor when travelling overseas - to be knowledgeable about the company and it's products.

Our basic responsibility is to handle all aspects of the marketing and distribution functions and to do so on a worldwide basis. We market products in Canada, Latin America, Europe, Middle East, Far East, and Australia. You product the product; we take care of the overseas marketing. It's that simple. We become the export department.

We not only get involved in just selling product, but also we have established foreign licencees that manufacture products under a license arrangement with our principle whereby in exchange for technical and marketing assistance, the foreign company pays a percentage of sales back to the U.S. company. This is an excellent way for an American company to still participate in a foreign market even when direct exports would be precluded because of duties and/or local competition.

So, if you are desirous of expanding your sales horizons to take in some of the massive world market, the use of an Export Management Company is an alternative you may want to consider.

Regardless, though, how you plan to establish yourselves in foreign markets, let me mention two things that are imperative to being successful.

No. 1: Be patient, and be committed for the long term - may require changes. (Long gestation).

No. 2 and most important: Quality, Quality, Quality. You may find this hard to believe. But America is fast developing a reputation for

bad quality and poor dependability.

It's a hot button now and people think they might miss something. But it won't happen overnight.

STAN BYERS' TESTIMONY FOR HEARING
COMMITTEE ON SMALL BUSINESS
MAY 20, 1988

LADIES AND GENTLEMEN:

Thank you for giving me the opportunity to make a few remarks and a few observations today concerning exporting U.S. made products.

Bunton Company, a Louisville based manufacturer of Commercial Lawn and Turf maintenance equipment, employing today approximately 200 people, has been exporting professional lawn mowers for well over 20 years. Exports have been, for many years, an extremely important part of Bunton Company's business. Export sales this year will account for over 10% of our sales. That is a significant increase from 2 years ago, but it should be pointed out that, in the early 1980's, exports accounted for 25% of our sales.

Why the decline and why now the increase? Value of the dollar plays a significant role. Government regulation also becomes very significant. All of us realize the significance the weakened dollar has on the marketability of U.S. manufactured products for sale in foreign markets. Most U.S. manufacturers make good to excellent products and most importers in foreign countries still believe that U.S. made products are the best in the world. But, at times, trying to be the good samaritan, we shoot ourselves in the foot. Let me give you an example. Today we are faced with different trade barriers throughout the world. In Canada, it is tariffs - now 11%, but that is a reduction from 17% and, since the reduction, we have opened two new distributors in Canada. We cannot sell Bunton Rotary Mowers today in Sweden because, once we meet the guarding requirements, they won't cut grass. There are EEC noise level requirements effective last July 1 that we cannot meet with <u>any</u> Bunton Mower equipped with a U.S. made engine. We did pass the noise level standard on Bunton

(Continued)

Stan Byers' Testimony for Hearing
Committee on Small Business
May 20, 1988

Mowers with a German made engine and a Japanese made engine.

But, back to the point of shooting ourselves in the foot. A few years ago, the Consumer Products Safety Commission promulgated a Safety Standard for Consumer Walk-behind Lawnmowers. A part of the Standard's requirements was, and still is, that they be notified of exports that do not meet that U.S. Standard even though they do meet the requirements of the importing country so that the CPSC can notify the government of the importing country that a product is coming in that does not meet a current U.S. Standard. Because of this requirement, we have chosen to meet both the U.S. and foreign standards and add the cost to our selling price because we don't want a red flag raised by foreign governments.

What we need is free, fair trade with a minimum of government intervention. The world market place will work if all governments will just let it and give world markets time to react without interference.

I will be most happy to answer any questions which you might have at this time.

# STATEMENT OF GLENN RAQUE

There is little argument with the need to export. Exports represent the best way to help solve the problems of increasing deficit and foreign debt and bring with them the domestic advantages of increased employment and profit.

To be most effective, concentration of public funds to promote exports should be in the areas that enjoy the greatest value added percentages, that is those areas where U.S. companies can claim a significant if not dominant percentage of the marketplace.

It accomplishes little if we trade material and labor to our worldwide neighbors and receive only the differential in the currencies that happens to prevail at that moment in time. The public interest would be much better served if public funds were expended to promote those products that generate the highest return on the taxpayer's dollar in domestic jobs and profits.

Recognizing and accomplishing this goal are two separate problems. Recognition must be the job of politicians and those charged with the public trust.

Once recognized, however, accomplishment of the goal should be placed in the hands of the people who have the experience and drive and self interest to promote American goods as efficiently as possible, the American business people themselves.

It seems to be true that our small businesses can be the most efficient of American businesses. It seems also to be true, however, that many if not most American busnessmen are reluctant to do business overseas.

Without personal experience overseas or even with our land based neighbors, many American entrepeneurs prefer to remain in familiar markets. They view the communication, legal, transportation and service problems to be an unprofitable drain on their efficiencies.

It is these areas specifically that can and should be addressed with public funds.

Communication is at the top of the list. Tours of facilities in various parts of the world should be set up with business people of targeted industries that could profit in that part of the world invited to take part. Emphasis should be placed on bringing together American producers and foreign buyers, not agents. These gatherings should emphasize personal contact to promote the elimination of the communication barriers that impede many U.S. business people now.

Public money could efficiently be spent to aid private businesses in interpreting foreign laws and regulations. Government officials should be spending some time attempting to bring U.S. and foreign standards closer together. Efforts should be made for instance, to help establish electrical or plumbing codes that could apply to export and import equipment alike.

Legal problems also inhibit most small businessmen. It's difficult, at best to keep up with changes in requirements for domestic manufacturers and seems all but impossible when compounded by regulations in foreign languages. Keeping pace with these changes overseas and distributing such information should be a function of a government anxious to promote exports. An infrastructure already exists through which efficient dissemination of information to industries, specific to their area of interest could be accomplished. The insurance companies covering exports would be well advised to participate in the distribution of such government published information that may affect their clients and thus their losses.

Domesticaly, we need to clean up our customs and immigration procedures to ease the movement of industrial goods. There must be something wrong with a system that can support an entire industry that does nothing but handle the required paperwork to export or import. Its difficult to believe that we will convince our foreign neighbors to streamline their import paperwork if ours is as bad.

It is also a gall to the U.S. executive who arrives in a U.S. port of entry and finds he must pay the customs agent, already on duty and manning his station, overtime just to re-enter his own country. It becomes even more galling when a foreign national enters at the same time and pays no fee at all.

Even more specifically, I believe that programs, currently in place, to sponser U.S. participation in worldwide exhibitions should be expanded. International exhibitions represent the best way to reach the largest number of buyers in the cheapest way and in the shortest time. For first time exhibitors overseas, however, even these expenses can be too great a risk to attempt to enter into an unknown market with all the perceived difficulties described above.

Not least among these expenses is the transportion of U.S. equipment to exhibitions. It is often thought among first time exhibitors that its just too expensive to ship an unsold machine into an unknown market only to have to ship it back. Publicly underwriting the return cost of unsold exhibition goods could go a long way towards encouraging reluctant small businesses to become participants in a worldwide market. Further underwriting of exhibition costs would pay dividends in increased U.S. participation many fold.

Education of the U.S. manufacturer to the desires of a worldwide market as well as to the competition that exists can also best be accomplished at international exhibitions. It also focusses the attention of the experts on the markets to the needs of the exhibitors, and not on the general background of those who might one day paticipate.

It is not inconveivable that even U.S. businesses could be encouraged to enter foreign merkets if sponsership of qualified buyers to attend U.S. shows and tours of U.S. facilities could be arranged to bring together foreign buyers and U.S. producers. We seem to spend huge sums of public money to bring foreign manufacturers to the domestic work place. Perhaps some of this energy could be devoted to promoting the joining of the foreign buyer and domestic exports.

SUBMITTED
STATEMENT

OF

DON R. HENDERSON

District Director

District Office, U.S. Commercial Service
International Trade Administration
U.S. Department of Commerce
Louisville, Kentucky

TO

COMMITTEE ON SMALL BUSINESS

U.S. HOUSE OF REPRESENTATIVES

STATEMENT OF DON R. HENDERSON

Mr. Chairman, and honorable members of the Committee on Small Business, my name is Don R. Henderson, Director of the Louisville District Office, U.S. Commercial Service, International Trade Administration, U.S. Department of Commerce.

I very much appreciate the opportunity to comment on the export promotion and service programs of the U.S. Commercial and Foreign Service of the U.S. Department of Commerce. To lend creditability to my remarks, my tenure with the Department began in 1970 following a 14-year career in technical sales and marketing with the Rockwell International Corporation.

I have served and traveled throughout the Far East, Europe, South Asia and the Middle East in support of increasing U.S. exports through the Department's trade fair and trade missions programs.

Washington-based assignments were those of Regional Promotion Director-Japan, Deputy Director-France, Switzerland and Italy, Regional Promotion Director-South Asia, Regional Promotion Director-Commerce Action Group for the Near East. These assignments embraced the management responsibilities for all inclusive planning, program formulation and implementation of U.S. export development activities in these regions of the world.

In 1975, at the request of then Senate Majority Leader, the Honorable Mike Mansfield, I established a one-person U.S. Department of Commerce office in the State of Montana to provide assistance to the Governor and the state's industry with respect to broadening its export potential.

In 1980, I was selected to become District Director of the Louisville office.

My aforementioned comments are not intended to either attempt to flatter myself nor bore you, but rather to discern between a professionally trained, subject-knowledgeable individual and one who has, at best, only a superficial understanding of the subject under discussion.

I am pleased that I have the opportunity to reflect my personal feelings as a field person who, in my judgement, is on a daily basis concerned only with providing programmatic assistance to the small to small/medium business community relevant to enhancing exports, or in other words, the real world. I am afraid that all too often when committees of the House and Senate request information from which they can develop meaningful legislation intended to enhance efficiency and effectiveness, they receive politically-driven rhetoric and idealogy that does not necessarily reflect the real world environment.

Exporting for the United States has finally begun to receive the visibility it should have always had for it is an extremely important economic issue and one of the most vital forces of our time. We as a nation should do everything in our power to strenghten and preserve this force.

I want to commend you, Mr. Chairman, for recognizing that the export trade promotion efforts of the United States need to be enhanced in order to assist American small business to successfully enter foreign markets.

The question on the table is what is the most effective and efficient manner to provide export assistance counseling and programs to American small business.

I respectfully submit to you that the District Offices of the International Trade Administration, U.S. Department of Commerce, if properly funded, can accomplish the goal you are seeking through HR 1854. The U.S. Commercial Service has been actively engaged in assisting U.S. business in international trade development since the early 1960's. We are the only organization that has a yearly work plan developed for each Domestic Office and the geographic area it serves and this plan includes a working agreement with SBA and its SBDC network nationwide. Our FY 88 State of Kentucky Work Plan including our

SBA working agreement is enclosed. I implore you to take the time to read it and hopefully come to the conclusion that now is not the time to spread the responsibility of our country's export trade promotion to yet another organization, but instead adequately fund the one agency that has a well-developed plan and the experienced personnel to effectively and efficiently assist American small business.

Make no mistake about it, exporting requires specialized knowledge and skills, and small businesses need to deal with offices that have dedicated themselves to providing this highly specialized assistance. The idea to have SBDC's add export trade development and assistance to their current duties is a logical one, however they do not have the specialized knowledge, programs and work plans in place. The District Offices do and are already working with the SBDC's and SBA who refer clients to us for the specialized and technical international business counseling they require.

There is no question in my mind that our District Office and Foreign Commercial Service system can be improved. This is not a one agency against another issue, but rather an extremely important bi-partisan effort to spend the taxpayers' dollars in the most effective manner possible to serve the American small business community and the nation properly.

With this in mind, it would seem to me that the more logical approach for the Congress to consider as a means of increasing exports among the small business community would be to provide the necessary funding to adequately staff the District Offices and provide the necessary operating funds enabling them to reach out to their constituents rather than adopting the current thinking as proposed in HR 1854.

In conclusion, may I again express my sincere appreciation to you, Mr. Chairman and the honorable members of your committee, for the opportunity to share my thoughts on this most vital issue. I ask that you take time to review the enclosures as they will support the remarks which I have made today. Please feel free to call upon me at any time for further assistance you feel I might render.

Thank you.

Enclosures

1) Louisville District Office Annual Work Plan
2) Exporting Accomplishments 1980-1987
3) 12-Month (FY 87) Summary of District Office Activities
4) SBA District Office/ITA District Office Joint Agreement

**********

ENCLOSURES

**********

LOUISVILLE DISTRICT OFFICE

Annual Work Plan

FY 1988

STRATEGIC PLANNING ANALYSIS

EXECUTIVE SUMMARY

LOUISVILLE DISTRICT OFFICE
FY 88 ANNUAL WORK PLAN

The Strategic Planning Analysis is the fundamental ingredient used to develop the District's Work Plan. It is in and of itself an examination of the state, its elements and their relations relevant to international trade development. The District Office Plan is the implement by which a variety of measures are undertaken to ensure the achievement of forecasted goals and objectives.

Through our industry analysis, the Louisville District Office identified a number of historically less active industry sectors whose export potential clearly justified increased allocation of L.D.O. resources to assist these industries in reaching their export potential. Principally, we have and will continue to target the wood products and mining equipment and machinery industries, both of which have within the past two years demonstrated increased export performance.

The Plan focuses heavily on professionally delivered client counseling since this is the proven and most effective means of generating export activity throughout the District. Reasons for this focus are clear. Since FY 81 when the office was established through the fiscal year just ended, 141 NTE and 343 NTM export actions have been documented. Export actions can by definition only be "counted" if there is demonstrated "linkage" and linkage is the direct result of counseling.

The Plan also reflects significantly on the Representational-Promotional activity and outreach relationships developed by the District Office with the following:

1. Federal/State: Excellent cooperative agreement signed for five-year period, 1987-1992.

2. DEC: New Chairman and Vice Chairman and several new nominees should be the most productive DEC ever from programmatic point of view.

3. SBA: Relationships are good and signed agreement based on MOU is in effect.

4. Associate Offices, Area Development Districts, Universities and Trade Clubs (3) continue to be actively supportive of District Office export expansion efforts.

Office Administration--District Office is currently 40 percent short on authorized headcount which if the situation continues, will obviously have a negative impact on overall office performance. Staff is highly motivated, well-trained and functions extraordinarily well as a team.

In summary, given the current position vacancies and uncertainties of the operating budget, our ability to meet forecasted goals may be hamstrung to the extent that downward goal revisions may become necessary.

US&FCS LOUISVILLE

Annual Work Plan

FY 1988

Kentucky Profile

International trade and foreign investment in Kentucky have increased dramatically since the District Office was established in 1980, indicating that Kentucky firms are beginning to discover and capitalize on the new opportunities for international trade.

- One of the areas in which Kentucky has had outstanding success is the number of small and medium-sized firms engaged in international trade. At the present time 17 percent of Kentucky exporters employ fewer than 25 people and 45 percent of Kentucky exporters employ fewer than 100 people. Kentucky has the highest percentage of small and medium-sized firms exporting of any southern state.

- Kentucky's industries had over $3.1 billion in sales of export-related manufactures in 1983. Over $1.5 billion was in direct export sales while roughly another $1.6 billion was in sales of manufactures to other industries nationwide, who incorporated them into their own exports (indirect export sales). This ranked Kentucky 24th among all 50 states and the District of Columbia in the value of export-related manufactures sold.

- Nine Kentucky industries sold over $100 million of direct and indirect exports apiece, with four industries each exporting more than $400 million. The Chemicals industry was the largest manufacturing exporter in the state, selling roughly two-thirds of a billion dollars of total exports.

- Export-related manufactures accounted for 9.7 percent of Kentucky's total manufactured goods production, ranking the state 35th among all states and the District in this measure of total (direct and indirect) export efficiency. Five industries sold ten percent or more of their output to export-related demand, with Kentucky's Textile Mill Products industry being the second most export-efficient state industry of its category in the country.

- Export-related manufactures provided approximately 21.7 thousand Kentucky manufacturing workers with employment in 1983, with seven state industries counting one thousand or more jobs that were export-sustained.

- Five Kentucky manufacturing industries had at least ten percent of their labor force working on export-related output, with more than one out of every five jobs in the Chemicals industry being export-related. Overall, some 8.8 percent of all manufacturing jobs were dependent upon exports, slightly more than one out of every eleven jobs.

- In addition, an estimated 21.8 thousand workers in such non-manufacturing industries as transportation, communications, agriculture and services owed their jobs to Kentucky's output of export-related manufactures.

- Foreign investment in Kentucky's manufacturing sector amounts to $2.6 billion dollars. Of this amount, $1.155 billion is attributable to the efforts of the present administration (1982-1986). Twenty-four foreign-owned manufacturing facilities have located in the state during this period.

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CRITICAL ELEMENT I

STRATEGIC PLANNING ANALYSIS

Part I. Industry Summary and Analysis

A. Industry Profile-General Demographic/Economic Data:

1. Geographical jurisdiction of the District Office:

Kentucky - 120 counties

2. Population of the District (State):

3,800,000

3. MSA's, Number of business establishments, rank among all MSA's:

| Areas (MSA's) | Population | Number of Business Establishments | Rank Among U.S. MSA's |
|---|---|---|---|
| Kentucky (State) | 3,815,291 | 73,724 | XXXX |
| Cincinnati, Ohio<br>No. Kentucky-Indiana | 1,412,000 | 31,177 | 23<br>(Total Area) |
| Evansville, Indiana<br>Western Kentucky | 281,800 | 6,882 | 116<br>(Total Area) |
| Louisville, Kentucky<br>Indiana | 964,300 | 20,997 | 40<br>(Total Area) |
| Owensboro, Kentucky | 87,700 | 2,236 | 266 |
| Lexington, Kentucky | 329,400 | 8,494 | 107 |
| Huntington, W. Virginia<br>Ashland, Kentucky | 331,800 | 6,074 | 105<br>(Total Area) |
| Clarksville, Tennessee<br>Hopkinsville, Kentucky | 153,100 | 2,691 | 183<br>(Total Area) |

Source: University of Louisville State Data Center
1982 CENSUS OF MANUFACTURES - U.S. SUMMARY
1983 ANNUAL SURVEY OF MANUFACTURES--M83(AS)5
COUNTY BUSINESS PATTERNS 1985 KENTUCKY

B. Industry Profile-Manufacturing

1. Number of manufacturing establishments and value of sales ($1,000,000) by District (State and MSA's):

| Area | Number | Value |
|---|---|---|
| Kentucky | 3,427 | 29,638.6 |
| Cincinnati, OH, No. KY-IN<br>Kentucky portion | 234 | 871.4 |
| Evansville, IN, Western KY<br>Kentucky portion | 59 | 458.4 |
| Louisville, KY-IN<br>Kentucky portion | 1,112 | 12,183.5 |
| Owensboro, KY | 92 | 1,051.0 |
| Lexington, KY | 345 | 2,963.3 |
| Huntington, W. VA-Ashland, KY<br>Kentucky portion | 74 | 3,025.4 |
| Clarksville, TN-Hopkinsville, KY<br>Kentucky portion | 53 | 233.2 |

Source: 1982 CENSUS OF MANUFACTURES, KENTUCKY

2. Number of manufacturing establishments by major industry group and employment size class:

| SIC | Major Industry Group | No. of Establishments | Employment Size Class 1-250 | 251-999 | 1000+ |
|---|---|---|---|---|---|
| 20 | Food & Kindred Products | 260 | 243 | 17 | 0 |
| 21 | Tobacco Manufacturers | 16 | 16 | 0 | 0 |
| 22 | Textile Mill Products | 27 | 24 | 3 | 0 |
| 23 | Apparel & Other Textile Products | 154 | 120 | 34 | 0 |
| 24 | Lumber & Wood Products | 490 | 489 | 1 | 0 |
| 25 | Furniture & Fixtures | 89 | 89 | 0 | 0 |
| 26 | Paper & Allied Products | 60 | 55 | 5 | 0 |
| 27 | Printing & Publishing | 557 | 549 | 6 | 2 |
| 28 | Chemicals & Allied Products | 129 | 115 | 12 | 2 |
| 29 | Petroleum & Coal Products | 30 | 28 | 0 | 2 |
| 30 | Rubber & Misc. Plastics Products | 116 | 106 | 8 | 1 |
| 31 | Leather & Leather Products | 14 | 11 | 3 | 0 |
| 32 | Stone, Clay & Glass Products | 248 | 233 | 15 | 0 |
| 33 | Primary Metal Industries | 66 | 50 | 14 | 2 |
| 34 | Fabricated Metal Products | 296 | 277 | 18 | 1 |
| 35 | Machinery, Except Electrical | 453 | 421 | 27 | 5 |
| 36 | Electric & Electronic Equipment | 112 | 82 | 24 | 6 |
| 37 | Transportation Equipment | 68 | 59 | 9 | 0 |
| 38 | Instruments & Related Products | 31 | 28 | 3 | 0 |
| 39 | Miscellaneous Manufacturing Indus. | 95 | 92 | 3 | 0 |

Source: COUNTY BUSINESS PATTERNS, 1985, KENTUCKY

3. Specific shipments of manufactured exports by major industry group and export-related employment of the District:

| SIC | Major Industry Group | Total Manufactured Shipments (1) | Direct & Indirect Exports (1) | Exports as a % of Total Manufacturing (2) | Export-Related Employment (2) |
|---|---|---|---|---|---|
| 20 | Food & Kindred Products | 3,717 | 230 | 6.2 | 0.7 |
| 21 | Tobacco Products | 2,180 | 131 | 6.0 | 0.4 |
| 22 | Textile Mill Products | 332 | 43 | 13.0 | 0.8 |
| 23 | Apparel, Oth. Textile Products | 851 | 20 | 2.3 | 0.3 |
| 24 | Lumber & Wood Products | 400 | 27 | 6.8 | 0.4 |
| 25 | Furniture & Fixtures | 163 | 2 | 1.2 | -- |
| 26 | Paper & Allied Products | 997 | 71 | 7.1 | 0.5 |
| 27 | Printing & Publishing | 1,238 | 29 | 2.3 | 0.3 |
| 28 | Chemicals, Allied Products | 3,533 | 665 | 18.8 | 2.8 |
| 30 | Rubber, Misc. Plastics Products | 1,150 | 125 | 10.9 | 1.0 |
| 31 | Leather, Leather Products | -- | -- | -- | -- |
| 33 | Primary Metal Industries | 2,415 | 428 | 17.7 | 2.5 |
| 34 | Fabricated Metal Products | 1,698 | 154 | 9.1 | 1.7 |
| 35 | Machinery, Except Electric | 2,879 | 401 | 13.9 | 4.2 |
| 36 | Electric, Electronic Equip. | 2,497 | 197 | 7.9 | 2.2 |
| 37 | Transportation Equipment | 4,626 | 442 | 9.6 | 1.0 |
| 38 | Instruments, Related Products | 247 | 15 | 6.1 | 0.1 |
| 39 | Misc. Manufacturing Industries | -- | -- | -- | -- |

| | | |
|---|---|---|
| Exports as Percentage of Total Shipments | 13.6% | (1) Millions of Dollars |
| Export-Related Employment as Percentage of Total Employment | 11.2% | (2) Thousands of Jobs |

Source: ORIGIN OF EXPORTS OF MANUFACTURED PRODUCTS 1983 MB3(AS)-5

4. Listing of major industries, the leading manufacturing sectors, and the leading manufactured exports of the District (State).

| Major Industries | Leading Mfg. Sector | Leading Mfg. Exports |
|---|---|---|
| Manufacturing | Machinery, except electric | Machinery, except electric |
| Coal mining | Primary metals | Chemicals & allied products |
| Agriculture | Chemicals | Food & kindred products |
| Contract Construction | Electric & electronic equipment | Transportation equipment |
| Tourism | | Primary metal industries |
| | | Electric & electronic equipment |

5. Export potential for target industries:

a. Major industry group(s) with greatest export potential.

b. Selected country markets of greatest export potential for targeted industries.

| SIC | Major Industry Groups | World Area Markets |
|---|---|---|
| 21 | Tobacco products | Worldwide |
| 24 | Hardwood lumber & veneers | W. Germany, Spain, U.K., Australia, Far East |
| 28 | Chemicals & allied products | Japan, Canada, Mexico, Netherlands, S. Korea, S. America |
| 33 | Primary metals | Far East, Europe, S. America |
| 35 | Machinery, except electrical | W. Europe, S. America, Canada, Australia, P.R.C. |
| 36 | Electric & electronic equip. | Canada, W. Germany, U.K., Malaysia, Japan, Hong Kong, Taiwan, France, Mexico |
| 37 | Transportation equipment | W. Europe, Latin America, Asia |

Source: 1987 U.S. INDUSTRIAL OUTLOOK and FT-410 SCHEDULE E

6. Support for Export Trade Development

a. Major multipliers by private sector and public sector that promote export trade with the District:

Major Multipliers:

Public Sector

Commonwealth of Kentucky Commerce Cabinet
Kentucky District Export Council
University of Kentucky (TASKIT) Program
U. S. Small Business Administration

Private Sector

Ashland Chamber of Commerce
Owensboro Chamber of Commerce
Louisville Chamber of Commerce
Northern Kentucky Chamber of Commerce
Bowling Green Chamber of Commerce
Elizabethtown Chamber of Commerce

Private Sector (cont'd):

Paducah Chamber of Commerce
Somerset-Pulaski Chamber of Commerce
Lexington Chamber of Commerce
Kentucky Chamber of Commerce
Louisville Department of Economic Development
Jefferson County Riverport Authority (FTZ)
Owensboro Riverport Authority
Area Development Districts (15)
Small Business Development Centers (8)
Bluegrass International Trade Association
Kentuckiana World Commerce Council
Northern Kentucky International Trade Association

b. Major international trade activities in Kentucky for during preceding fiscal year (87), including date, title of event, location, and sponsor:

| DATE | EVENT | LOCATION | SPONSOR |
|---|---|---|---|
| Mar. 4-5 | Korean Buying Mission | Frankfort, KY | KY Commerce Cabinet |
| May 18-20 | KY Int'l Trade Conference (World Trade Week) | Louisville, KY | University of KY; ITA; KY Commerce Cabinet; KY DEC |
| Sept. 3 | Governor's Industry Appreciation Day Conference | Paducah, KY | KY Commerce Cabinet |
| Sept. 19-20 | Kentucky Logging Show | Bowling Green, KY | KY Forest Industries Association |

US&FCS Louisville was a co-sponsor or participant in all of the above events.

C. Industry Profile-Selected Service Industries

Although the Kentucky universe has some 19 different varieties of selected service industries totaling some 170 firms, program activities will be directed to industries with high international sales potential.

Efforts to stimulate greater overseas sales expansion will be targeted toward these firms: heavy construction contractors, SIC 162; healthcare and management services, and engineering/architectural services firms, SIC 891, in our state.

In expanding our working account base of these firms, many tools such as the Asian Development Bank Early Notification Project Leads, World Bank Technical Data Sheets, Major Projects Listings, Business America Magazine, and the Trade Opportunity Program, as well as private publications such as the Engineering News Record will be used to provide available trade opportunity information. Additional informational devices such as services export manuals and specific market research publications will not be ignored.

As the identification process ensues, entries into our data base will be made to ensure these firms obtain both appropriate as well as current information.

Certainly, we will be involved with other selected service industries such as international banking, international transportation, including a major new international parcel expediting service recently located to Louisville, international accounting, etc., but these relationships will be more of a co-operative informational and referral nature rather than embracing specific international sales program activities.

Selected Service Industries:

| SIC | CATEGORY | NO. OF ESTABLISHMENTS | EMPLOYMENT SIZE CLASS |
|---|---|---|---|
| 162 | Heavy Construction | 17 | Sm/Medium |
| 891 | Engineering & Architectural Services | 64 | Sm |
| 451 | Air transportation | 10 | Sm/Medium |
| 809 | Health care & allied services | 4 | Medium/Large |

D. Industry Profile-Prospective Exporters

Universe Refinement/ITA Potential

The Louisville District Office was established in May 1980. At that time preliminary surveys were made of the manufacturing/industrial base of the Commonwealth of Kentucky. These surveys revealed some 1400 establishments which might be included in the District Office universe as potential export accounts. The District Office has continued to refine this universe through a close look at the 120 counties which constitute Kentucky's geopolitical base.

Beginning in 1981, we selected 832 firms as priority objectives in the export awareness campaign. This universe was obtained by a review of state directories and through personal knowledge of District Office personnel. Selection was based on size of firm, production/quality and quantity, industry field, and location of firm with regard to low cost transportation facilities. As a further refinement and because of the large number of counties in the Commonwealth of Kentucky, zones of impact have been created. These zones correspond basically to the areas covered by the ten (10) Chambers of Commerce which are designated Associate Offices and multipliers of ITA/LDO services. The process of refining this universe has been an ongoing activity since that time and will continue throughout the 1988 fiscal year.

Prospective, best prospects, and established accounts will be loaded into our computer system on a continuing basis and will enable professional personnel to retrieve these accounts by SIC code from within any of the ten impact zones that were developed. This procedure will greatly increase the effectiveness and efficiency of the professional staff in developing and targeting their activities to achieve our annual forecasted goals.

The procedure the District Office will implement to develop our account base and refine the target universe is as follows:

1. Prospective Accounts -- This will consist of the many firms in our universe which either have not yet been contacted or fully evaluated as to their export ability, interest, or potential. Certain businesses will be targeted by virtue of the high marketability of their products/services. Prospective accounts which have been particularly targeted for refinement over FY 88 are listed beginning on page 15 by the region of Kentucky in which they are located for ease in Trade Specialist assignment.

2. Established Accounts -- Established accounts fall under two categories, those with NTM potential who are actively exporting, and non-exporting ancillary service organizations and multipliers. For those exporting, the term "established" conveys a sense of solidity and permanence in the international marketplace. The accounts' level of expertise is such that the demand on the District Office tends to be limited to "fine tuning" their marketing effort or responding to intermittent requests as initiated by the clients.

The above definitions will enable us to more realistically track the number of accounts we are working with at any given time. The AITS System combined with the above or similar definitions will enable us to accomplish that task. It will also be a more logical arrangement of the counseling process whereby a firm will be tracked along an export line and give us a goal which will be to move as many firms as possible into the established category. The term "established" conveys a sense of solidity and permanence as well as achievement of a certain level of expertise and when applied in the export sense will reflect the fact that these firms are experienced, serious, able export marketers.

We will establish a procedure to identify the firms which would constitute our so-called priority AITS contact file. Originally, we referred to AITS "active acounts" and even the latest FY 88 HPPAS guidelines continue to talk about adding 10 to 20 high potential accounts into the AITS. For all practical purposes, the firms to be contacted for most export development promotion purposes will consist of the established accounts plus the prospective firms. These two categories will encompass virtually all of a District Office's worthwhile valid, viable firms.

Records of many other firms will of course be filed in our AITS computer base but will be coded to reflect their status as other than the above two prime categories; e.g., unrefined prospects, not recommended, etc. The following are our "high potential" accounts targeted for FY 88:

High Potential Accounts Targeted for Fiscal Year 1988
PATRICK T. WALL

| FIRM NAME/ADDRESS | INDUSTRY/SIC | SIZE/ CLASS | TARGET MARKETS |
|---|---|---|---|
| Cherry-Burrell/Anco Votator Division<br>P.O. Box 35600<br>Louisville, KY 40232 | Food Products Machinery, Pasteurizers 3551143<br>Other Industrial Food Machinery 3551358 | Med | Far East, Canada, ASEAN, N. Europe, S. America |
| Corpane Industries<br>P.O. Box 21233<br>Louisville, KY 40221 | Metal Cleaning, Degreasing Equipment 3559573 | Sm | Asia, S. America, W. Europe |
| VBM Corporation<br>P.O. Box 922<br>Louisville, KY 40201 | Automotive Lifts 3534<br>Oxygen Generators 3623 | Sm | S. America, Japan S. Korea, Malaysia, P.R.C. Singapore |
| White Hydraulics, Inc.<br>P.O. Box 1127<br>Hopkinsville, KY 42240 | Hydraulic Motors 35699<br>Transmission Equipment 3568313 | Sm | Worldwide |
| Instant Products, Inc.<br>P.O. Box 33068<br>Louisville, KY 40232 | Toys, excluding games, Novelties 3944287 | Sm | Worldwide |
| Butler Store Equipment, Inc.<br>P.O. Box 966<br>Louisville, KY 40201 | Metal Store Fixtures 25424 | Sm | Middle East, Canada, Caribbean |
| Pebco, Inc.<br>P.O. Box 7506<br>Paducah, KY 42002 | Bulk Material Handling Equipment 3535162 | Sm | S. America, P.R.C. |
| Premium Allied Tool, Inc.<br>P.O. Box 1598<br>Owensboro, KY 42302 | Computer-aided Surface Measurement Equipment 3825248<br>TV & Radio Stampings 3469251 | Sm | Germany, U.K., Canada, Japan |
| Appalachia Computer Services<br>P.O. Box 140<br>London, KY 40741 | Data Entry, Keypunch 7374 | Sm | S. America Caribbean |
| Dover Corporation/ C. Lee Cook Division<br>P.O. Box 1038<br>Louisville, KY 40201 | Metal Sealing and Packing Rings 3519915 | Med | S. America, India, Pakistan |

High Potential Accounts Targeted for Fiscal Year 1988 (continued)
PATRICK T. WALL

| FIRM NAME/ADDRESS | INDUSTRY/SIC | SIZE/ CLASS | TARGET MARKETS |
|---|---|---|---|
| Southern Textile Machinery Company, Inc.<br>P.O. Box 1015<br>Paducah, KY 42001 | Textile Knitting Machines 3552245 | Sm | Far East & Asia, Middle East |
| Hillerich and Bradsby Co.<br>P.O. Box 35700<br>Louisville, KY 40232 | Baseball Equipment 3949593<br>Golf Equipment 39492 | Sm | Far East, Europe, Venezuela China |
| Eagle Thermoplastics<br>P.O. Box 775<br>Radcliff, KY 40160 | Laboratory & Scientific Glassware 3229423<br>Technical & Industrial Glassware 3229425 | Sm | Worldwide |
| Raque Food Systems, Inc.<br>P.O. Box 99416<br>Louisville, KY 40299 | Filling, Capping and Labeling Machines 3551465<br>Fruit and Vegetable Wrapping, Filling and Sealing Machinery 3551427<br>Packing and Packaging Machinery for Industrial Food Products 3551457 | Sm | Worldwide |
| Advanced Chem-Tech<br>P.O. Box 1403<br>Louisville, KY 40201 | Peptide Synthesizer 3841 | Sm | W. Europe |
| Farm Innovators<br>Webb Road<br>Simpsonville, KY 40067 | Animal Water Feeder Heaters 3567 | Sm | Canada W. Europe |
| Dattilo Electronics<br>11621 Electron Drive<br>Louisville, KY 40299 | Industrial Battery Components 3692<br>Fork Lift Batteries 3691 | Sm | S. Asia |
| Productive Products, Ltd.<br>1010 S. Elm Street<br>Henderson, KY 42420 | Automotive Safety Restraint 2399 | Sm | Worldwide |
| Reliance Intl. Sales Corp.<br>Watterson City East<br>1951 Bishop Lane, Ste. 401<br>Louisville, KY 40218 | Industrial coatings 3479<br>Paint 2851 | Med | Worldwide |

High Potential Accounts Targeted for Fiscal Year 1988 (continued)
PATRICK T. WALL

| FIRM NAME/ADDRESS | INDUSTRY/SIC | SIZE/ CLASS | TARGET MARKETS |
|---|---|---|---|
| Thompson International, Inc.<br>P.O. Box 656<br>Henderson, KY 42420 | Oil Field Machinery 3533<br>Mining Equipment 3532 | Med | W. Europe<br>S. America |
| Kustom Koncepts, Inc.<br>P.O. Box 36447<br>Louisville, KY 40213 | Mobile Medical Vans<br>3693 | Med | W. Europe<br>Canada |
| VMV Enterprises, Inc.<br>1500 Kentucky Avenue<br>Paducah, KY 42001 | Rebuilt Railroad<br>Locomotives 37431 | Sm | S. Asia<br>E. Asia<br>S. America |
| Saturn Machine Company<br>P.O. Box 273<br>Sturgis, KY 42459 | Coke Oven Doors, Coke<br>Oven Cleaning System<br>3567391 | Sm | Worldwide |
| Kinetic Corporation<br>Distillery Commons<br>Louisville, KY 40206 | Computer Software<br>35732 | Sm | Worldwide |
| Tri-Wall<br>10507 Timberwood Circle<br>Louisville, KY 40223 | Metal Shipping Containers<br>2653016<br>Corrugated Packaging<br>2653012 | Med | Worldwide |
| Farrington Aircraft Corp.<br>Route 3, Box 319<br>Paducah, KY | Gyroplanes<br>3721123 | Sm | W. Europe |

High Potential Accounts Targeted for Fiscal Year 1988 (continued)
DON R. HENDERSON

| FIRM NAME/ADDRESS | INDUSTRY/SIC | SIZE/ CLASS | TARGET MARKETS |
|---|---|---|---|
| Henry Vogt Machine Co.<br>1000 W. Ormsby<br>P.O. Box 1918<br>Louisville, KY 40201 | Valves, Fittings 34943<br>Tube Ice<br>Machines 35851<br>Boilers & Parts 34431 | Lg | S. Asia,<br>ASEAN,<br>Middle East, |
| Sargent & Greenleaf Inc.<br>1 Security Drive<br>Nicholasville, KY 40356 | Security Locks 34294,<br>34991 | Med | Worldwide |
| General Electric Co.<br>Appliance Park AP6-243<br>Louisville, KY 40225 | Major Household<br>Appliances 363 | Lg | Worldwide |
| Scheu & Kniss<br>1500 W. Ormsby<br>Louisville, KY 40210 | Pharmaceutical<br>Tablet Presses 35593 | Sm | W. Europe |
| J.A. Sexauer<br>1800 Research Drive<br>Louisville, KY 40299 | Plumbing Parts<br>3432 | Sm | Worldwide |
| Blendex Company<br>11208 Electron Drive<br>Louisville, KY | Spices<br>2099 | Sm | Europe, Far East |
| Winston Products Co.<br>2345 Carton Drive<br>Louisville, KY 40299 | Food Warming and Storage<br>Equipment<br>3589 | Sm | Worldwide |
| Peptides International<br>10101 Linn Station Road<br>Louisville, KY 40223 | Laboratory and Scientific<br>Instruments<br>38112 | Sm | Worldwide |
| The Needle Crafter<br>225 W. John Rowan Boulevard<br>Bardstown, KY 40004 | Craft and Hobby Kits and<br>Sets<br>3944 | Sm | Europe, Far East |
| Koch Filter Corporation<br>707 East Market Street<br>Louisville, KY 40202 | Industrial Air Filters<br>Removable Element 3569242<br>Disposable Element 3569244 | Sm | Europe, Middle<br>East |

High Potential Accounts Targeted for Fiscal Year 1988
DON R. HENDERSON

| FIRM NAME/ADDRESS | INDUSTRY/SIC | SIZE/ CLASS | TARGET MARKETS |
|---|---|---|---|
| Kentucky Export Resources Authority, Inc.<br>333 W. Vine Street<br>Lexington, KY 40507 | Trading Company<br>Variety of Products | Sm | Europe, Far East |
| Midwest Communications Corporation<br>One Sperti Drive<br>Edgewood, KY 41017 | Broadcast & Video Equip. & Systems House for Tele-production, Transmission, CATV; Mobile Units 36622<br>Broadcast System Planning & Design 99211 | Sm | Far East, Middle East |
| Hasco International<br>1100 Second Ave.<br>Dayton, KY 41074 | Metal & Plastic Livestock Identification Tags 39999<br>Agricultural Tool for Livestock Tagging 34232 | Sm | South America |
| National Band & Tag<br>721 York Street<br>Newport, KY 41071 | Poultry and Canine Identification Tags 39999<br>Misc. identification labels for plants, machinery, etc. 3079 | Sm | South America |
| Lectrodryer<br>305 Geri Lane<br>P.O. Box 2500<br>Richmond, KY 40475 | Dryers for Compressed Air and Gas 3569934 | Sm | Europe |
| Foam Design<br>Sporting Goods Division<br>444 Transport Court<br>Lexington, KY 40581 | Camping, Exercise, Pool & Marine Products 3949 | Sm | Worldwide |
| Union Underwear<br>One Fruit of the Loom Dr.<br>Bowling Green, KY 42102 | Men's & Boys', Ladies' Underwear 23221 & 22541 | Lg | Europe, Middle East |
| Drum Industries<br>5800 Poplar Level Rd.<br>Louisville, KY 40218 | Pumps for Liquified Gas 3561 | Sm | South America |

High Potential Accounts Targeted for Fiscal Year 1988 (continued)
DON R. HENDERSON

| FIRM NAME/ADDRESS | INDUSTRY/SIC | SIZE/ CLASS | TARGET MARKETS |
|---|---|---|---|
| Crucible Magnetics<br>Division of Colt Industries<br>Route 2<br>Elizabethtown, KY 42701 | Industrial Magnets<br>32640, 34994 | Med | Worldwide |
| Dickerson Lumber Co.<br>Route 5<br>P.O. Box 258<br>Glasgow, KY 42141 | Hardwood Veneer Logs 2411<br>Hardwood Lumber 24211 | Sm | S. Europe,<br>Far East |
| Desa International<br>1308 Three Springs Dr.<br>P.O. Box 719<br>Bowling Green, KY 42101 | Portable Heaters<br>3634 | Med | Europe, Far East |

Page 15.

Prospective accounts targeted for refinement in FY 88:

NORTH

| | |
|---|---|
| Fries Correctional Equipment, Inc.<br>Bromley, KY | Product, SIC(s):<br>Jail Equipment 3842<br>Bullet-proof structures 2452 |
| Sibthorp Systems Inc.<br>Erlanger, KY | Product, SIC:<br>Automation/Computer controls 3573 |
| KECO Industries<br>Florence, KY | Product, SIC(s):<br>Air-conditioning equipment 3585<br>Aircraft ground support equipment 3811 |
| Bluegrass Veneer<br>Lake Jericho, KY | Product, SIC:<br>Hardwood veneer 2435 |

CENTRAL

| | |
|---|---|
| Carbide Products Inc.<br>Georgetown, KY | Product, SIC(s):<br>Carbide tools 3545<br>Cutter blades 3425 |
| Eastern Transformer<br>Georgetown, KY | Product, SIC:<br>Rebuilt power transformers 3612 |

NORTH CENTRAL

| | |
|---|---|
| Jones Plastic & Engineering Corp.<br>Jeffersontown, KY | Product, SIC(s):<br>Tool boxes 3469<br>Plastic containers 3079 |
| Down River Forest Products<br>Louisville, KY | Product, SIC:<br>Wood products 2411 |
| Fabricated Metals Corp.<br>Louisville, KY | Product, SIC(s):<br>Fabricated metal products 3499<br>Material handling equipment 3537 |
| Fisher Klosterman Inc.<br>Louisville, KY | Product, SIC(s):<br>Dust collection equipment 3564<br>Pneumatic conveying systems 3535 |
| Interpolymer Corporation<br>Louisville, KY | Product, SIC:<br>Specialized polymers 2821 |
| Safetran Systems Corp.<br>Louisville, KY | Product, SIC(s):<br>Railroad Signaling devices 3662<br>Steel and aluminum housing 3499 |

Prospective accounts targeted for refinement in FY 88 (continued):

| | |
|---|---|
| Eagle Thermoplastics, Inc.<br>Radcliff, KY | Product, SIC:<br>Disposable medical products 3069 |
| Custom Packaging Inc.<br>Louisville, KY | Product, SIC:<br>Industrial paper products 2647 |
| **EAST CENTRAL** | |
| Hauk Manufacturing Company<br>Lexington, KY | Product, SIC:<br>Pressure washers 3651 |
| Alltech, Inc.<br>Nicholasville, KY | Product, SIC:<br>Biological chemicals 2831 |
| **WEST CENTRAL** | |
| Plexus Corporation<br>Richmond, KY | Product, SIC:<br>Telecommunications 3661 |
| **SOUTH** | |
| Vangard<br>Glasgow, KY | Product, SIC:<br>Pharmaceuticals 2834 |
| **SOUTHEAST** | |
| American Molding Company, Inc.<br>Manchester, KY | Product, SIC:<br>Fiberglass satellite dishes 3662 |
| Harrogate Machinery Company<br>Middlesboro, KY | Product, SIC:<br>Mining equipment 3532 |
| Somerset Wood Products<br>Somerset, KY | Product, SIC:<br>Hardwood products 2499 |
| **WEST** | |
| Scott Lumber Inc.<br>Henderson, KY | Product, SIC:<br>Hardwood lumber 2426 |
| Chipper's Nut Products, Inc.<br>Owensboro, KY | Product, SIC:<br>Processed nuts 3452 |
| Modern Welding Company Inc.<br>Owensboro, KY | Product, SIC:<br>Liquified petroleum tanks 3443818 |

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Prospective accounts targeted for refinement in FY 88 (continued):

| | |
|---|---|
| Normandy Manufacturing Co., Inc.<br>Paducah, KY | Product, SIC(s):<br>Women's dresses 2335<br>Women's sportswear 2339 |
| Princeton Hosiery Mills<br>Princeton, KY | Product, SIC(s):<br>Hosiery 2251<br>Infant garments 2341 |
| Shelton Metrology Laboratory<br>Princeton, KY | Product, SIC:<br>Precision measuring machines 3824 |

SOUTHWEST

| | |
|---|---|
| Mayfield Manufacturing Co., Inc.<br>Mayfield, KY | Product, SIC:<br>Women's clothing 23351 |
| Waymatic, Inc.<br>Fulton, KY | Product, SIC:<br>Mobile food & beverage dispensing<br>Equipment 3585 |

PART II. Program Activities and Trade Promotion Events

The Louisville District Office considers our multipliers as the single most important resource available to us given the geographical area of the State and the limited professional resources of our office. When we discuss multipliers we do so in the collective sense that includes the DEC, international trade clubs, associate offices, banks, EMC's, freight forwarders and other peripheral organizations that comprise the international trade infrastructure.

Without this valuable resource the District Office would unequivocally be unable to accomplish the objectives stated and hoped for by US&FCS management. We presently use and will continue to increase the multiplier role and participation in: (1) sponsoring and co-sponsoring seminars, workshops, and conferences; (2) joint counseling; (3) distribution of program data; (4) reciprocal referrals; (5) identifiers of prospective "E" award recipients and other appropriate recognition awards, et cetera. Additionally, as we develop our contacts with service industries and refine this universe, we will consider their ability to perform as an effective multiplier.

Nearly one-third of our active accounts are target industries, and since this program is more professionally packaged than other departmental programs, we will focus heavily on increasing this account base. The remaining two-thirds of our active accounts are in the non-target industries, and these will continue to receive the resource allocation required to fully support these accounts needs.

In our planning for FY 88, emphasis has been placed on in-plant seminars/workshops and conferences as the principal venue of our outreach efforts. We consider them to be the most cost-effective and result-producing vehicle available to us. Country action seminars will be mixed with export fundamental workshops and established forums as necessary to achieve maximum area coverage. Multipliers will be an integral and cohesive part of these activities.

A geographical distribution of accounts within specified areas has been incorporated in the FY 88 plan. The distribution is reflected in the attachment section of this plan.

Forest Industries:

With over $11 million[1] of lumber and mill products exported in 1981, which represents a 65% increase from 1977, Kentucky has developed an international reputation as a source of some of the world's finest hardwoods.

Action:

1. The District Office will continue to provide support and assistance to forest industry firms targeted since FY 84, with the limitations of relevant ITA programs and responsibilities.

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1. Kentucky Exports, State Export Series, August 1984.

2. US&FCS Louisville will continue to refer those targeted forest industry firms to the Foreign Agricultural Service for additional export development assistance.

3. The Louisville District Office will promote and participate in the annual Kentucky Logging Show held in Bowling Green, September 18-20. A Trade Specialist will man an information booth which is provided free of charge by the Kentucky Forest Industries Association.

MAJOR MULTIPLIERS:

District Export Council

The Louisville District Office developed an individual District Export Council Work Plan in FY 82 through 86. It is our intent to continue the implementation of activities contained in the plan during FY 88-91. The Council's plan is structured in accordance with the Management Planning Guidelines and incorporates the activities spelled out in the guidelines. The Council will be considered as the principal multiplier in supporting the efforts of the District Office to achieve its stated objectives and goals.

Action:

1. Committees will be appointed by members of the executive committee to interface with co-sponsoring organizations, in the design, formulation, development and implementation of a world trade week event.

2 DEC members will be designated to serve as speakers at appropriate service organization meetings to foster and strengthen the export awareness program (i.e. Speakers Bureau).

3. DEC members will be tasked to perform individual and group client counselling services as appropriate with specific geographic responsibilities within the state based on residence. The District Office feels strongly that the use of "local experts" will more effectively serve the respective business communities while providing optimum utilization of DEC personnel.

Associate Offices

The Associate Offices (Chambers of Commerce) have demonstrated their total support and cooperation to the District Office in organizing and cosponsoring export workshops on a repeated basis as well as serving as a client referral network. Their effectiveness as a major multiplier is evident and due in large measure to the fact that the District Office provides international materials for further distribution to their constituents. This procedure will continue throughout FY 88 and should result in even greater benefits to the District Office's individual efforts.

Action:

1) Trade Specialists assigned to territories within which Associate Offices are located will provide training, educational counselling and materials in an effort to better enable these multipliers to fulfill their commitments as liaison with and referral of prospective and existing exporters to the District Office for follow up.

2) Each Associate Office will be called upon to work with the LDO to develop and implement seminars during FY 88.

State Development Agency

In FY 1987, the District Office was actively involved with the Kentucky Commerce Cabinet Office of International Marketing in the identification, recruitment, planning and trip facilitation for seven state-sponsored trade mission and catalog show activities to the Far East and Europe. The Governor participated in five of these events. In addition, the District Office assisted in the planning and participated in three foreign investment and buying missions to the state by the PRC, Taiwan and Korea. The District Office has been and will continue to be involved in the State's efforts to expand its exports of agricultural products. In this regard, the District Office through and with the cooperation of USDA Agricultural International Marketing Service will serve as liaison between the USDA, Kentucky Department of Agriculture and individuals requesting information on programs and services provided by USDA Washington.

Coordination and cooperation between the state and the District Office is at its highest level since the District Office was established in 1980 and it is the intent of this office to strengthen even further this relationship in FY 88 and beyond.

In November 1987, a gubenatorial election will take place with the new administration taking office in January 1988. With this in mind and without intimate knowledge of the attitudes of either candidate toward trade promotion, it is impossible at this point to be specific about the level and frequency of trade promotion activities or for that matter, the degree of importance to be given to the same. Because of the successes achieved by the present administration and those Kentucky firms who have directly benefitted by the state's efforts coupled with a growing interest in trade promotion by the Legislature, we anticipate that the new administration will respond in a positive manner toward the development of a trade promotion program equal to or greater than the present administration's efforts.

Action:

Refer to Federal/State Agreement.

Export Management Companies

The FY 88 plan encompasses a program to assist in the development of the Export Management Company multiplier base within the district. Existing EMC's are, for various reasons (size, lack of capital and training), unable to handle the demand which is forcing firms to seek assistance from distant

areas. Emphasis will be placed on this subject through increased counseling, training, and marketing research programs. Now that the Export Trading Company legislation is law the District Office will encourage the use of the ETC's as an effective means of developing export opportunities. As a further benefit, this effort will also assist the program to develop and expand the Export Management Company multiplier base.

Action:

1) The District Office has developed a short list of Export Management Companies after communication, counselling and utilization of both formal and informal ITA programs/services by these organizations.

2) Referral by the District Office of only those EMC's that meet adequate levels of expertise in the areas of international marketing, market research, finance and transportation to selected prospective, new or established accounts will continue to be made in FY 88.

3) Only those clients which the District Office identifies as having demonstrated high export potential product lines (based on MAPPAS screening guidelines) and yet have failed to achieve their potential in international market development will receive counselling on the use of and referral to EMC's. Firms lacking the personnel, capital or management willingness to nurture in-house international marketing responsibility will be targeted for such assistance.

EVENT RECRUITMENT

As in previous years and in line with the goal of increasing the volume of Kentucky exports, Trade Event recruitment will not only continue as a significant part of District Office activity, but be emphasized during fiscal year 1988 in workshops/seminars and client counseling. The Louisville District Office has developed a "market-driven" approach which identifies those trade events relevant to major Kentucky industry sectors; only events held within foreign markets possessing optimum market potential will be selected.

Action:

STEP I: As a first step in refining potential trade event participants, we shall examine our industry sectors and develop a list consisting of the name, address, key contact and SIC code of individual firms within these sectors. This process of identification will continue in an ongoing manner until all major industry sectors in the state are covered and in turn, stored as a separate trade event recruitment data base.

STEP II: The second stage of refinement will consist of a careful analysis of the Post Commercial Action Plans and other relevant Export Promotion Services materials in an effort to locate high potential markets as they relate to target industry sectors common to Kentucky.

STEP III: Once this cross-referencing using the Post Commercial Action Plans has been completed, the District Office will examine the Commerce Calendar of Events and extract only those trade events that offer the highest potential international marketing opportunities for industry sectors previously identified on the event recruitment data base.

The District Office is confident the event recruitment selection process, as outlined above, which originates from the market and works back to targeted industries, will prove highly productive in terms of generating participation agreements and more effectively focusing District Office efforts in the area of event recruitment. Naturally, the District Office will continue to support those clients whose products fall outside the realm of the state's targeted industries, who could benefit from participation in established, successful overseas trade events regardless of formal District Office recruitment responsibility.

The District Office hopes the market-driven system of event recruitment will help to better serve the state's client base while providing a vehicle for the field to offer input to Washington in the Trade Event Selection process.

CARIBBEAN BASIN INITIATIVE

Under the CBI Program, the District Office is recipient of a number of business prospect leads by means of individual telexes and catalogs from the FCS branch offices in the Caribbean and also from headquarters often in the form of published summary bulletins. The leads from the CBI take three basic forms: Product importation into the United States from Caribbean Basin countries, sub-contract manufacturing in the Caribbean Basin country, and direct investment by a United States firm wishing to open a subsidiary in the Caribbean Basin.

Action:

1) The type of action taken with these leads consists of contacting those companies whom we believe could benefit from the information, either by telephone, by mail, or both. Personal visitation will be conducted only when the interest is quite serious.

2) Recognizing that the established and new accounts of the District Office are currently manufacturing exporters and not importers, we have chosen to create a separate data base in our computer system for manufacturers, service organizations, and individuals that have an active interest in importing. Special emphasis will be placed on food manufacturing companies who may be encouraged to take on a new line of food products manufactured in the Caribbean Basin. The firms selected for this database entry will include:

(a) Those organizations currently acting as formal CBI multipliers.

(b) New organizations will be targeted as multipliers, to include customhouse brokerage firms, our local international trade club, Small Business Development Centers, Area Development Districts, city governments, and Associate Offices.

(c) A selection of high-potential importing firms as listed in our Kentucky International Trade Directory or established import agents/distributors made known to the District Office.

(d) Processed food manufacturing firms, some of whom are already exporting accounts of the D.O. and others who are gleaned from the Kentucky Manufacturers Directory.

(e) Individuals who call or visit the District Office seeking sources of supply for import purposes.

The dissemination of leads referring to sub-contract manufacturing and investment will be more or less limited to formal multipliers and current exporting accounts of the District Office. Exceptions are always possible, of course, so we will always be alert to incorporate CBI information pertinent to establishing off-shore manufacturing/service facilities, where applicable, in the course of our responsiveness to the Kentucky business community.

Special Activity

In December 1981, the City of Louisville and the Louisville Area Chamber of Commerce initiated a joint venture to promote international trade between Louisville and various foreign countries. Projects to achieve this objective sought to turn the community's international awareness into concrete economic benefits, and included signing city-to-city trade agreements; participation in a catalog show; hosting foreign distributors; and an exchange of mayoral delegations, laying the groundwork for inter-city dialogue on future commercial exchanges.

While the Chamber and the City have benefited from these first steps, it appears that the community could realize substantially greater economic gains through greater involvement in international commerce. Recognizing the opportunity which exporting offers for assisting firms within mature industries to penetrate new and expanding markets overseas while witnessing the influx of new businesses to this most highly industrialized area of the State, the Economic Development Cabinet of the city of Louisville and the District Office have developed an "export potential questionnaire". In an ongoing process of universe refinement, with the advice and consent of the District Office, municipal personnel will perform the outreach function throughout the Louisville area with monthly meetings scheduled with the District Office during FY 88 to review progress and modify efforts as circumstances dictate. Referrals to the District Office for further follow-up will ensue only after adequate multiplier screening has taken place resulting in more efficient use of District Office time and resources. An expanded and more aggressive effort to promote export opportunities should form an integral component of Louisville's economic development strategy.

A number of important governmental and voluntary organizations are currently involved in this area, notably the U. S. Commerce Department's International Trade Administration (ITA), and the Kentuckiana World Commerce Council (KWCC). While these organizations currently provide effective services, they and other for-profit organizations with international expertise and contacts have become more explicitly involved with the major community organizations (including county and state governments) seeking to design and implement economic development programs for Louisville. For this reason, the Chamber and the City have brought many of these organizations together to focus on two areas which offer the greatest support for economic development: export promotion and reverse foreign investment (RFI).

The International Trade Task Force has met several times during 1986-87 to assess what is being done community-wide to advance Louisville's competitiveness, both as an exporter and as a location for foreign investments. With an inventory of existing efforts as a base, the task force has been able to recommend to the Chamber and the City of Louisville additional steps which could be undertaken collectively by the area's key international organizations, to insure that the community achieves maximum economic impact from their efforts.

The District Office considers this program to have achieved a useful purpose therefore, the office has assumed a leadership role in establishing a similar concept in Northern Kentucky and Lexington with the cooperation of Chambers of Commerce who are Associate Offices.

The Bluegrass Area Development District based in Lexington, Kentucky, received an Economic Development Administration grant of $25,000 in early FY 85 which was "matched" by additional input of $8,000 from local sources to implement an export development project. The principal task of the project is the formation of the Bluegrass International Trade Association (BITA) is to increase awareness of export opportunities, activities, and issues among the 98 active accounts in the LDO Lexington Impact Zone and prospective accounts in this 20-county area. The LDO originated the concept of forming a trade club in the area, encouraged the BGADD to adopt this method of utilizing above-mentioned grant funds, and has supported this project in FY 86-87.

The success of the program has surpassed District Office expectations with a permanent membership in BITA approaching 85 organizations. The District Office will provide continued close support and guidance to BITA during FY 88 by coordinating the participation of the Kentucky District Export Council, state and local government officials, referring prospective and current exporting clients and selecting qualified bi-monthly meeting speakers and by the District Office Director's participation as an ex-officio member of the Board of Directors. With the continued growth of the Bluegrass International Trade Association, it is anticipated that BITA will achieve financial self-sufficiency during the current fiscal year.

The Northern Kentucky International Trade Association (NKITA) was formed during FY 87 with considerable District Office guidance and support invested in its development. Based in the city of Covington, this fledging trade association will serve the dynamic growth area of Northern Kentucky. The organization will endeavor to expand international trade awareness. In conjunction with Northern Kentucky University, which is applying for parallel grants from the Economic Development Administration (EDA) and the U.S. Department of Education, NKITA is also seeking EDA monies to support its activities. The District Office has provided significant input in the framing of the respective grant applications. Regardless of the outcome of EDA grant applications, NKITA has succeeded in attracting sufficient membership to sustain itself as a self-supporting organization. Should all grants be forthcoming, it will instrumentally assist the District Office in efforts toward increased economic development and international trade expansion. Acknowledgement has been given by Kentucky's congressional delegation in support of the aforementioned grant requests. The LDO Director serves as a ex-officio member of the Board of Directors which will ensure that the Association maintains the focus and direction sought by the District Office.

Outreach activities continued throughout FY 87 with initial consultation with the faculty and administration of Murray State University leading to the submission of a formal grant proposal to the U.S. Department of Education. Whereas grant monies were not forthcoming to support the development of an International Trade Information Center on the Murray State campus serving rural Western Kentucky, resubmission is planned for FY 88. Again, Kentucky's congressional delegation has pledged its support in facilitating future grant requests. Training has begun of business school faculty in the proper identification, screening and referral back to the District Office of high export potential companies. The Louisville District Office anticipates significant enhancement of its ability to serve the Western Kentucky export community through the outreach efforts implemented at Murray State with minimal associated costs. In addition, an export seminar scheduled for the second quarter of FY 88 with Murray State as a co-sponsor has been planned.

Action:

1) The LDO Director will serve as an ex-officio member of all trade associations/clubs within the State. As a result, the Director will be in a position to offer input in guiding the clubs and focusing their activities toward substantive international trade issues, trade promotion and awareness.

2) Each trade association will be called upon to sponsor targeted seminars on such topics as FSC, CBI, Matchmaker, Harmonized System and Export Administration as examples.

Miscellaneous

Finally, the Louisville District Office will continue to discharge their responsibilities with regard to Minority Business Development, Industrial Mobilization and National Defense Executive Reserve, Federal Procurement and Business Development Conference Programs, Office of Export Administration, Patent and Trademark Office, Federal Executive Agency and provide limited domestic business counseling whenever called upon to do so.

PART III. Analysis of Resource Requirements

Associate Offices

Associate Offices in key areas of the state are also expected to play an increased role in export development. The District Office Plan includes continuing, though increased, calls on AO's with at least one training session on export programs planned for each AO during the year. This is a minimum objective, and depending on changes in Associate Office personnel, may be adjusted accordingly.

Training

Now that the District Office has received its authorized level of automated equipment, the need for additional advanced training to develop innovative uses (i.e. CIMS) to fully automate office administrative functions and client services will be required. Continuing training will be implemented for the support and professional staff to enable them to respond to inquiries not requiring professional consultation. This training and capability among the total staff is extremely significant to a small office. Two hours of training per week throughout FY 88 will be given to each member of the professional staff.

Formal one-week training sessions covering all aspects of office automation for trade specialists has been completed. This formal training will augment the continuing in-office training trade specialists have received with the goal of developing additional skills in the effective utilization of ADP equipment to accomplish general administrative support requirements. Additional training will be sought for trade specialists in the area of export administration regulations, given the current changes in the regulations and the increasing demands on District Office resources in the area of export regulation counseling. Additionally, any other training opportunities considered beneficial to District Office personnel and moreover, to the enhancement of accomplishing Departmental objectives will be solicited to the RMD for approval.

Staffing

The District Office is presently operating with a reduced staff of one professional (TS) and one support person (TRA). We are presently in the early stages of recruitment to fill the trade specialist vacancy and would expect to accomplish this by early November which would meet our authorized level of three professionals.

A critical vacancy exists for a secretary (GS-5/6) to reach our authorized support staff level of two. The need to fill this support staff requirement cannot be understated. A District Office cannot effectively function without administrative support.

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Equipment

The District Office considers the present inventory of equipment adequate to its needs and does not envision any need for additional equipment in FY 88.

Travel Expenses

Careful analysis was given to the development of the Budget for out-of-state visits and is considered sufficient to accomplish the goals contained in the Performance Forecast. Budget overall has been submitted to the Regional Managing Director for his review and approval.

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Objectives

a. To increase the dollar volume of Kentucky exports.

b. To increase the number of exporters.

c. To continue to develop a strong multiplier support infrastructure and organization.

d. As a relatively new office allocate sufficient time and resources to strengthen our identity and available services state-wide.

e. To develop a professional image and reputation within the business community that the Commerce Department is the most efficient and most useful federal organization available to them.

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Part IV. LOGISTICS

A. Summary Performance Forecast for the Louisville District Office

B. Calendar of Events (1st Quarter FY 1988)

C. Map of District territory with out-state area divisions and assignments

D. Federal/State Cooperative Plan, FY 1988-91

E. Kentucky District Export Council Plan, FY 1987-91

CHARTER

KENTUCKY
DISTRICT EXPORT COUNCIL

The Kentucky District Export Council, hereafter referred to as the District Export Council (DEC) is an organization of management leadership from companies and organizations whose international business knowledge and experience provide a source of professional advice, assistance and program development to firms and persons seeking to develop or expand their export sales and operations.

THE OBJECTIVE

The DEC is to establish effective liaison between the U.S. Government and the business community and to stimulate maximum business participation in the national export effort. As a local point of contact, members serve as communication links with the business community.

The DEC is not organized for the purpose of, or is it authorized to engage in, lobbying activities. However, a Council member is not precluded in his or her individual capacity from participating in lobbying or other activities of his choosing, provided that care is taken to clearly indicate that his action is taken as an individual and not on behalf of the District Export Council (DEC). Section 1913, Title 18 of the United States Code specifically prohibits lobbying with appropriated money in the absence of express authority of the Congress.

ORGANIZATION

Members of the DEC serve without compensation at the invitation of the Secretary of Commerce of the United States for a term as designated on their appointment certificates, usually two years. While members do not serve in an advisory capacity as defined under Federal statutes, their advice and recommendations on export related matters are most helpful to the Department of Commerce as well as to local business firms.

Although the DEC is not assigned specific tasks, by the Secretary of Commerce, we are encouraged to identify the most important issues in our respective areas in which we can be most effective as task members to achieve those actions and goals we set out to achieve.

Reports on activities and position statements on key international issues of the District Export Council are sent to the President's Export Council for its information and guidance. Conversely, reports and position statements generated by the President's Export Council will be provided to the Local District Export Council through our National Executive Secretariat in Washington, D.C.

COMPOSITION

The composition of the DEC shall include a Chairman selected from the manufacturing export community. The Chairman is nominated by the Commerce District Director and appointed by the Secretary of Commerce. The Vice Chairman likewise is nominated by the District Director and appointed by the Secretary of Commerce. However, he or she may be from a service industry or non-manufacturing industry.

The Executive Secretary of the District Export Council is the District Director of the U.S. Department of Commerce, International Trade Administration District Office. Total membership of the DEC shall be a minimum of 15 with a maximum of 40. It is recommended that 60% of this number be actual exporters with the remaining 40% from export service companies or institutions and organizations with specific export interests.

DEC members should be representative of their respective geographic areas as well as industries and service institutions characteristic of the predominant types of goods and services produced in the District.

MEMBERSHIP CRITERIA

The criteria of members nominated for the District Export Council should be as follows:

* An individual who is an acknowledged leader in the international business community.
* A person who is individually influential in a management role of his or her organization.
* One who exhibits a sincere interest in export promotional activities and has a willingness to devote the necessary time to Council activities.
* A leader willing to share his knowledge with others wishing to develop or expand their export business.

RECONSTITUTION

In the event of the death of a District Export Council member, the Executive Secretary of the DEC shall immediately notify the National Executive Secretariat of the District Export Councils, giving name and address of the survivor so that a suitable message of sympathy can be dispatched from

Washington, D.C. Should a member resign, he should so notify the Secretary of Commerce in writing with a copy to the Executive Secretary of the District Export Council for a suitable acknowledgement from Washington, D.C.

If a member moves from one DEC area to another, the loosing Executive Secretary shall contact the National Executive Secretariat of the District Export Councils, giving recommendations for continuing his or her membership in another DEC, or for dropping, whichever is appropriate. Action will then be taken in Washington, D.C. including the coordination with the appropriate DEC. The Washington point of contact is: Executive Secretariat, District Export Council, Room 3810, U.S. Department of Commerce, Washington, D.C. 20230. The point of contact for the Executive Secretary of the District Export Council is: Executive Secretary, District Export Council, U.S. Department of Commerce, International Trade Administration, Room 6368, 601 W. Broadway, Louisville, Kentucky 40202, telephone (502) 582-5066. Members leaving the DEC may be replaced by nomination of the Executive Secretary of the District Export Council and appointed by the Secretary of Commerce.

THE EXECUTIVE COMMITTEE

An Executive Committee of the DEC shall be formed for the purpose of establishing issues and monitoring work programs of the Council for its term of appointment. Once achievable tasks are determined, the Executive Committee shall appoint committee chairpersons and members who can most appropriately contribute to the achievement. The Executive Committee shall consist of the following members:

The Chairman
The Vice-Chairman
The Executive Secretary
Committee Chairpersons

Executive Committee meetings shall be held quarterly each year unless otherwise notified by the Chairman. Places of the meetings shall be determined by the Chairman and members of the Executive Committee. Progress reports of committees shall be reported at these meetings by the chairperson from each committee.

COMMITTEES

Committee chairpersons may elect to have called meetings in order to acheive their objectives or may conduct activities by telephone or mail as appropriate. They should report the progress made by their respective committees to the Executive Secretary by the Monday preceding each Executive Committee meeting in time for the chairman to review reports and prepare the agenda for meetings.

U.S. DEPARTMENT OF COMMERCE
KENTUCKY DISTRICT EXPORT COUNCIL

COMMITTEES
DUTIES AND RESPONSIBILITIES

EXECUTIVE COMMITTEE:

Duties and Responsibilities

The Executive Committee establishes the program of work for the Council, incorporates committee reports into a final report, establishes activity priorities and decides upon meeting dates and agendas.

Basic requirements to be addressed:

The Council will respond to specific requests for information and views on issues under study by the President's Export Council.

Express Council views on issues confronting the President's Export Council.

Sponsor joint meetings with other export councils to explore different approaches that have been productive in stimulating export awareness.

Development of issue papers on international trade problems or other related topical matters such as Tax Policy, DISC, GATT/MLT, Tariff and Non-Tariff Trade Barriers for publication and/or distribution.

INDUSTRY LIAISON TO GOVERNMENT AGENCIES, BUSINESS GROUPS AND TRADE ASSOCIATIONS:

Duties and Responsibilities:

To promote exporting with business groups and trade associations including Chambers of Commerce and Area Development Districts (ADDs), encouraging such groups to promote interest through their associations and members to participate in the export expansion program. To also provide advisory assistance and counsel to government agencies when requested.

Basic Requirements to be addressed:

Establishment of a referral counseling service among members of the District Export Council for prospective exporters as a means to provide, from a peer group, guidance and assistance in the resolution of questions/problems related to product, country market or marketing issues that hinder the firm's decision to enter the export market. Generally such referrals should be made following professional counseling service wherein the Trade Specialist determines that peer discussions would be helpful. The selection of a Council member to whom the referral is made should be compatible with the interests of the prospective exporters and the Council member should be pre-briefed.

Co-sponsorship of workshops, seminars and conferences with state development agencies, associate offices, universities and other suitable multipliers and, where appropriate, inter-agency seminars for EX-IM Bank, OPIC, small and minority exporters.

Consult with the District Office in the development of those sectors of the Annual Working Plan related to export awareness.

Provide active membership participation in the District Office seminar programs.

Develop cooperative participation of Council members in the international activities and programs of such multiplier organizations as Chambers of Commerce, trade associations, state economic development agencies, and world trade clubs in order to expand available resources to promote export awareness.

PUBLIC RELATIONS - PUBLICITY - SPEAKERS:

Duties and Responsibilities

Promote the export expansion program and the activities of the Council through appropriate publicity, speaking engagements, conferences, and the like.

Basic requirements to be addressed:

Publish flyers or other promotional brochures that invite U.S. business firms to explore export opportunities through the District Offices or the District Export Council.

Participate in public service programs on radio and television, mostly of a panel variety, to discuss the role of exporting in the U.S. economic system.

Prepare spot announcements on export expansion topics for use as public service announcements on radio.

Organize speaking bureaus to enable Council members to speak to business groups and civic organizations on export expansion.

Establish an award program, such as "Exporter of the Year", or an essay contest on trade issues for students.

LEGISLATIVE AND FINANCE:

Duties and Responsibilities:

To regularly review and monitor pending state and federal legislation of interest to international traders and will keep Council members informed. Maintain and formulate the collective view of the Council members on state and national legislative issues related to international trade and to provide a suitable means of expression to appropriate government officials. To control the Council's financial status, and develop the means by which the Council can financially support programs and activities generated within the Council.

Basic requirements to be addressed:

Establish a channel of communication with the state's congressional delegation in order to convey the position of industry on legislature and other matters related to the development and expansion of export trade within the state.

Don R. Henderson
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U.S. DEPARTMENT OF COMMERCE
International Trade Administration
U.S. and Foreign Commercial Service

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
District Office
Room 6368, U.S.P.O. & Courthouse Bldg.
Louisville, Kentucky 40202

October 28, 1987

Accomplishments in Export Activity
by the ITA District Office
for Fiscal Years 1981-1987

These are documented New-to-Export (NTE)* and New-to-Market (NTM)** Export Actions - assistance was provided by Louisville District Office personnel to these client accounts.

| | | |
|---|---|---|
| FY 81: | Number of NTE Actions: 11<br>Dollar Value: $248,151 | Number of NTM Actions: 88<br>Dollar Value: $16,868,666<br>Markets entered: 99 |
| FY 82: | Number of NTE Actions: 26<br>Dollar Value: $514,436 | Number of NTM Actions: 83<br>Dollar Value: $23,506,957<br>Markets entered: 109 |
| FY 83: | Number of NTE Actions: 31<br>Dollar Value: $4,343,974 | Number of NTM Actions: 37<br>Dollar Value: $10,170,380<br>Markets entered: 68 |
| FY 84: | Number of NTE Actions: 30<br>Dollar Value: $6,976,246 | Number of NTM Actions: 34<br>Dollar Value: $5,033,279<br>Markets entered: 64 |
| FY 85: | Number of NTE Actions: 19<br>Dollar Value: $ 536,150 | Number of NTM Actions: 27<br>Dollar Value: $2,325,342<br>Markets entered: 46 |
| FY 86: | Number of NTE Actions: 15<br>Dollar Value: $ 483,184 | Number of NTM Actions: 42<br>Dollar Value: $4,838,031<br>Markets entered: 57 |
| FY 87: | Number of NTE Actions: 9<br>Dollar Value: $ 688,630 | Number of NTM Actions: 32<br>Dollar Value: $4,233,514<br>Markets entered: 41 |

Total number of NTE actions FY 81-87: 141
Total dollar value FY 81-87: $13,790,771

Total number of NTM actions FY 81-87: 343
Total dollar value FY 81-87: $66,976,169

Number of new markets penetrated FY 81-87: 484

Average approved annual travel budget per fiscal year to cover all 120 counties in Kentucky: $8,500

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*New-to-Export (NTE) = First ever export sale.

**New-to-Market (NTM) = Subsequent export sales to new markets (countries).

FORM ITA-710
(REV 7/86)

# FIELD PROGRAM ACTIVITY REPORT

U.S. DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION

| 1. District Office: LOUISVILLE | Month: FY OCT-SEPT 1987 | Date Submitted: 9/30/87 |
|---|---|---|
| D.O. Director's Signature: Don R. Henderson | Certified by (RMD's Signature): Samuel P. Troy RMD III | |

| 2. INTERNATIONAL COUNSELING | Out-of-Office Counseling Sessions | In-Office Counseling Sessions | Total Counseling Sessions |
|---|---|---|---|
| A. [redacted] CBI | 1 | 4 | 5 |
| B. Established Accounts | 231 | 452 | 683 |
| C. New Accounts | 33 | 55 | 88 |
| D. Prospective Accounts | 82 | 293 | 375 |
| 3. PROMOTIONAL REPRESENTATIONAL ACTIVITY | [redacted] | [redacted] | [redacted] |
| A. District Export Councils / Counseling by DEC Members | 28/ | 18/ | 46/ |
| B. State Agencies | 44 | 64 | 108 |
| C. Associate Offices | 20 | 24 | 44 |
| D. Foreign Buyer Assistance | 1 | 3 | 4 |
| E. Other | 31 | 55 | 86 |
| TOTALS (2A-D, 3A-E) | 471/ | 968/ | 1439/ |
| 4. EXPORT ADMIN. Counseling (Subset from 2A-D) | [redacted] | [redacted] | 190 |
| 5. DOMESTIC COUNSELING | 1 | 4 | 5 |

| 6. WORKSHOPS/SEMINARS/CONFERENCES | Metro Area | | Secondary Cities | |
|---|---|---|---|---|
| TYPE | Number | Audience | Number | Audience |
| A. International | | | | |
| 1. In-Office/Company Management | 6 | 244 | 3 | 14 |
| 2. Other Seminars/Conferences | 34 | 963 | 14 | 570 |
| B. Business Development Seminars | 0 | 0 | 1 | 4 |

| 7. DISTRIBUTION OF ACCOUNTS | Number of Established Accounts (Current Month) | | | |
|---|---|---|---|---|
| | Beginning Balance | New Accounts Opened | Accounts Dropped | Total Accounts |
| A. International Accounts | 544 | 42 | 4 | 582 |
| B. Domestic Accounts | 121 | 0 | 11 | 110 |

| 8. MARKETING SERVICES | Results | |
|---|---|---|
| A. New Product Information Service/Int'l Mkt. Search | NPIS: 3 | IMS: 0 |
| B. Trade Opportunity Program (TOP) | Notice: 2 | Bulletin: 5 |
| C. Export Mailing List Service/Trade Lists | EMLS: 6 | TL: 9 |
| D. Agent/Distributor Service (ADS) | 14 | |
| E. Overseas Exhibitions & Missions | Exhibition: 2 | TM: 4 |
| F. AITS Active Account Registrations | Current Month: 31 | To Date: 771 |

9. OPTIONAL CODES:

| (Headquarters Use) | (District Office Use) |
|---|---|
| A. | D. |
| B. | E. |
| C. | F. |

10. INITIAL NTE/NTM SALES (Current Month SPO Results)

| Category | No. Firms Making Sales | No. Markets Entered | Initial Export Sales ($) |
|---|---|---|---|
| NTE | | [redacted] | |
| NTM | [redacted] | | |
| | | | |

11. SUMMARY SPO RESULTS (FY-to-Date)

| Category | D.O. Annual Projections | No. Firms Making Sales (FY-to-Date) | No. Markets Entered (FY-to-Date) | % of Projection (FY to Date) | Value Initial Export Sales ($ FY to-Date) |
|---|---|---|---|---|---|
| NTE | 9 | 9 | | 100% | $ 688,630 |
| NTM | 31 | [redacted] | 32 | 103% | $4,233,514 |
| CBI | 0 | | | | |

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# MEMORANDUM OF UNDERSTANDING

BETWEEN

THE LOUISVILLE DISTRICT OFFICE
OF
THE U.S. DEPARTMENT OF COMMERCE
U.S. AND FOREIGN COMMERCIAL SERVICE

AND

THE KENTUCKY DISTRICT OFFICE
OF
THE SMALL BUSINESS ADMINISTRATION

ON COOPERATION IN SUPPORT OF
INTERNATIONAL TRADE

## AGREEMENT

On March 19, 1987, the U.S. Department of Commerce and the U.S. Small Business Administration entered into a cooperative relationship designed to assist small business firms to enter into and develop export markets and to coordinate the delivery of export promotion and other export-related services to such firms. Each organization agreed to work together in a cooperative spirit at all levels to contribute to this effort according to the resources and talents each possesses.

## STATEMENT OF PURPOSE

It is the purpose of this agreement to define and allocate the responsibilities and outreach efforts of the principal parties regarding small business export development activity along lines which match each organization's expertise, experience and legislative mandate at the District Office level. The principal intentions of this Agreement will be to: 1) avoid duplication effort between the two agencies in the delivery of U.S. Government export promotion to the small business community; 2) maximize the delivery of export services to such firms in the most cost effective manner possible.

## INTRODUCTION

The statutory obligations of the Department of Commerce are to foster, promote and develop the foreign and domestic commerce of the United States. The Small Business Administration is required by the Small Business Act of 1953 to aid, counsel, assist and protect the interests of small business concerns.

Functional responsibility to promote the international trade of the United States and to assist U.S. business in its export operations domestically and abroad is vested in the International Trade Administration (ITA) of the Department of Commerce. The principal objective of ITA is to increase and promote U.S. exports, thus contributing to the Nation's economic growth and helping to achieve our national trade development goals. ITA advances this purpose by working with other Government agencies and international organizations to create a climate in which international trade and investment can flourish, and by working to make U.S. industry more export conscious.

By legislation, the Small Business Administration (SBA) is required to apply a portion of its resources to promote export opportunities for small business goods and services. In cooperation with ITA, SBA provides export information and encourages small business participation in trade fairs, shows and missions. To this end, SBA counsels small businesses on international marketing to acquaint them with problems and opportunities implicit in international trade and to prepare them to benefit from more specific programs and intensive assistance available from ITA's District Offices and private sector service organizations in the international field.

Over the years and particularly under the Commerce/SBA agreement of July 1982, a number of cooperative activities were developed between SBA's Office of International Trade and ITA's U.S. and Foreign Commercial Service, and in the field between SBA's Field Offices and the District Offices of US&FCS.

The purpose of this Agreement is to provide for an increase in such cooperation between the two agencies to improve the delivery of U.S. Government small business exporter programs while avoiding duplication of effort. The initiatives shown below outline means for efficient cooperation between ITA and SBA, as well as the responsibilities of each organization under this Agreement.

ITA - SBA JOINT UNDERTAKINGS

1. The Director of the US&FCS District Office will meet at least annually with the Director of the SBA District Office in Louisville, Kentucky. The purpose of the meeting will be to plan and coordinate trade promotion activities between each of the offices on a yearly basis. These meetings will take place prior to completion of the planning cycle in order that both parties have the opportunity to comment and make suggestions prior to the finalization of the plans of each Agency concerning local export promotion activities. Periodic meetings will subsequently take place to ensure that such activities are effectively implemented. Any issues or problems that cannot be resolved at the District level will jointly be referred to each agency's Regional Headquarters.

2. US&FCS and SBA will initiate training and orientation programs for personnel in each Agency in the general areas of business development, export promotion and SBA and Eximbank trade finance programs.

3. Each Agency will appoint a specific official at the District Office, to provide coordination, monitoring and communication links for all projects and activities pursuant to this Memorandum of Understanding.

4. Each Agency District Office will provide its counterpart office with current literature and other program information, including training materials such as films, slides and manuals on a regular and ongoing basis.

5. SBA and US&FCS District Offices wll jointly co-sponsor and conduct regular seminars/workshops for current or prospective small exporters as appropriate. These programs will operate on a participant user fee basis.

6. SBA and ITA will work together, to stimulate organization by the private sector of export promotion events such as trade missions, shows, and fairs. SBA, will continuously seek to expand the private sector resource base available to support SBA and ITA international trade activities.

7. SBA and US&FCS District Offices will cooperate, through the Office of Business Development, in utilizing SCORE/ACE members for small business export counseling; SBA's Small Business Development Centers (SBDC) and Small Business Institutes (SBI) will jointly be encouraged to develop education and training programs for exporters.

8. ITA and SBA will work together, using each Agency's appropriate resources, to identify and assist small businesses having export potential. Guidelines to accomplish this will be included in each ITA and SBA District Office work plan.

SBA INITIATIVES

SBA District Office will:

1. Provide basic export promotion information and other assistance to prospective and current exporters through its cooperating resources to complement such assistance being given by US&FCS field offices and other local organizations.

2. Refer to US&FCS offices such firms and individuals seeking or in need of in-depth specific marketing and country information, technical advice or assistance on export-related regulatory areas such as U.S. export control matters and other counseling available through ITA.

3. Provide qualified personnel to participate in ITA seminars, conferences and other export development programs; advise ITA District Offices regarding suitable forums such as conferences, seminars and courses where exporting information could be appropriately disseminated.

4. Provide coverage of ITA programs and services in appropriate loan counseling sessions and SBA co-sponsored training programs and literature.

5. Assist in identification of small business exporters or potential exporters for appropriate ITA Foreign Buyer events and overseas trade promotion fairs, missions and catalogue shows.

6. Encourage and assist small business firms to seek trade and investment opportunities from Caribbean countries active in the Caribbean Basin Initiative (CBI) Program.

7. Consistent with the applicable legal requirements as to the confidential treatment of information, provide to ITA small business statistical data complied by SBA or data to which SBA otherwise has access.

8. The SBA District Director will appoint the chairperson of each US&FCS District Export Council or his/her designee as a member of the SBA Regional Advisory Council.

ITA INITIATIVES

The U.S. and Foreign Commercial Service will:

1. Provide personnel in SBA District Office with basic training on exporting techniques and the services and programs available from ITA. The purpose of the training will be to give SBA the ability to service firms and individuals with appropriate export assistance. Training will be made available on a recurrent basis and for any newly-hired SBA District professionals.

2. Participate in training of SBA Loan Officers to assist them in evaluating the suitability of export development transactions and activities in which SBA guarantee programs may be used; also provide personal consultation with loan officers when actual transactions are involved.

3. Refer appropriate firms and individuals to SBA Field Offices for general assistance and advice and for participation in entry level workshops or seminars on exporting and other business management subjects.

4. Provide SBA offices with advance schedules for Commerce export promotion events and any other activity that may be suitable for SBA or small business firm participation.

5. Provide coverage of SBA programs and services in appropriate literature and promotional material.

6. Provide coverage of SBA programs and services to all multipliers, especially banks and other financial institutions.

7. Notify SBA District Office of Foreign Buyers and Foreign Commercial Officer visits as may be appropriate.

8. Consistent with applicable legal requirements as to the confidential treatment of information, provide to SBA selected international trade-related statistical data, compiled by the Department, to which ITA otherwise has access.

9. The US&FCS District Director will nominate each SBA District Director or his/her designee as a member of the District Export Council.

Don R. Henderson, Director
Louisville District Office
U.S. & Foreign Commercial Service
U.S. Department of Commerce

William E. Federhofer
Kentucky District Director
U.S. Small Business
Administration